

Adena Local School District
Ross County, Ohio

Single Audit

July 1, 2009 through June 30, 2010
Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639



Dave Yost • Auditor of State

Board of Education
Adena Local School District
3367 County Road 550
Frankfort, OH 45628

We have reviewed the *Independent Auditor's Report* of the Adena Local School District, Ross County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Adena Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2011

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Adena Local School District
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Independent Auditor's Report

Members of the Board
Adena Local School District
3367 County Road 550
Frankfort, OH 45628

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Adena Local School District, Ross County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

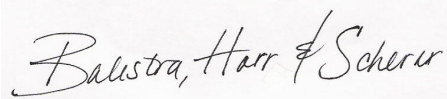
In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2010 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board
Adena Local School District
Independent Auditor's Report
Page 2

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 22 to the financial statements, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement no. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.



Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2010

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Adena Local School District's (the "School District") discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets exceeded its liabilities at June 30, 2010 by \$22,094,139.
- The School District's net assets of governmental activities increased \$624,146.
- General revenues accounted for \$10,441,519 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$3,128,342 or 23 percent of total revenues of \$13,569,861.
- The School District had \$12,945,715 in expenses related to governmental activities; \$3,128,342 of these expenses was offset by program specific charges for services and sales and operating grants and contributions.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. These statements are presented so that the reader can understand the Adena Local School District's financial situation as a whole and also give a detailed view of the School District's financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the School District's most significant funds with all other Non-Major funds presented in total in one column.

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The analysis of the School District as a whole begins with the Statement of Net Assets and the Statement of Activities. These reports provide information that will help the reader to determine whether the School District is financially improving or declining as a result of the year's financial activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes to those assets. The changes inform the reader whether the School District's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the user of these financial statements needs to take into account non-financial factors that also impact the School District's financial well-being. Some of these factors include the condition of capital assets, and required educational support services to be provided.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

In the Statement of Net Assets and the Statement of Activities, the School District has only one kind of activity.

- **Governmental Activities.** All of the School District's programs and services (except for fiduciary Funds) are reported here including instruction and support services.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The School District's only major fund is the General Fund.

Governmental Funds. Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational support services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Fund. Proprietary fund reporting focuses on the determination of operating receipts over (under) operating disbursements and changes in net assets. Proprietary funds are classified as enterprise or internal service and the School District only has an internal service fund which is used to account for the activity where School District self insures a portion of the employees' high deductibles for health care. This fund is reported using the accrual basis of accounting.

Fiduciary Funds. The School District's fiduciary funds include a private purpose trust fund and an agency fund. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

Table 1
Net Assets

	2010	2009
Assets:		
Current and Other Assets	\$ 8,275,238	\$ 7,048,244
Capital Assets, Net	19,386,337	20,107,371
Total Assets	27,661,575	27,155,615
Liabilities:		
Current and Other Liabilities	3,012,363	3,041,862
Long-Term Liabilities	2,555,073	2,643,760
Total Liabilities	5,567,436	5,685,622
Net Assets:		
Invested in Capital Assets, Net of Related Debt	17,462,738	18,050,940
Restricted	1,889,228	1,400,288
Unrestricted	2,742,173	2,018,765
Total Net Assets	\$ 22,094,139	\$ 21,469,993

Total net assets of the School District as a whole increased \$624,146. The decrease to Capital Assets, Net is primarily due to current year depreciation, which is partially offset by additions. Current and Other Assets increased primarily due to an increase in cash on hand at June 30, 2010 and an increase in intergovernmental receivable related to grant monies which had not been received at year end. The decrease in Current and Other Liabilities is primarily due to a decrease in deferred revenue which is a result of an increase in property taxes available as an advance. This decrease was partially offset by an increase in accrued wages and intergovernmental payable.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2010 and 2009.

Table 2
Change in Net Assets

	2010	2009 *
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 887,886	\$ 861,335
Operating Grants and Contributions	2,240,456	2,241,857
Capital Grants and Contributions	-	12,136
Total Program Revenues	3,128,342	3,115,328
General Revenues:		
Property and Other Local Taxes	3,743,426	3,058,994
Grants and Entitlements		
Not Restricted to Specific Programs	6,525,779	6,395,454
Gifts and Donations		
Not Restricted to Specific Programs	98,679	1,711
Investment Earnings	24,000	62,100
Miscellaneous	49,635	67,138
Total General Revenues	10,441,519	9,585,397
Total Revenues	13,569,861	12,700,725
Program Expenses		
Instruction:		
Regular	5,733,975	5,618,399
Special	1,284,833	1,242,056
Vocational	8,272	7,692
Other	796,586	546,564
Support Services:		
Pupils	397,692	342,335
Instructional Staff	600,230	740,156
Board of Education	43,281	38,176
Administration	949,590	914,469
Fiscal	332,326	320,806
Operation and Maintenance of Plant	996,630	1,087,517
Pupil Transportation	866,064	824,471
Central	77,257	58,035
Operation of Non-Instructional Services	423,180	452,066
Extracurricular Activities	322,333	327,384
Interest and Fiscal Charges	113,466	115,033
Total Expenses	12,945,715	12,635,159
Increase in Net Assets	624,146	65,566
Net Assets at Beginning of Year	21,469,993	21,404,427
Net Assets at End of Year	\$ 22,094,139	\$ 21,469,993

* Certain reclassifications were made to 2009 to conform to the 2010 presentation. There was no effect on net assets.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Governmental Activities

Grants and entitlements not restricted to specific programs comprised 48 percent of revenue for governmental activities, while tax revenue comprised 28 percent, and operating grants and contributions comprised 17 percent of revenue for governmental activities of the School District for fiscal year 2010. The increase in property and other local taxes is primarily due to an increase in income tax revenue in connection with a citizen who was a Lotto winner. The increase in grants and entitlements not restricted to specific programs is due to a change in restrictions governing the usage of state foundation money. The decrease to interest revenue is due to the decline in interest rates.

As indicated by governmental program expenses, instruction is emphasized. Regular Instruction comprised 44 percent of governmental program expenses with Special Instruction comprising 10 percent of governmental expenses. The increase in regular instruction and administration is due to an increase in salaries as a result of new positions. The increase in other instruction is primarily the result of increased payments for open enrollment. The decrease in instructional staff is primarily due to a decrease in salaries for the Ohio Reads program related to a decrease in grant funds. The decrease in operation and maintenance of plant expenditures is primarily due to a decrease in propane costs and the discontinuance of a maintenance agreement.

The Statement of Activities shows the cost of program services and the charges for services and sales and operating and capital grants and contributions offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements and other general revenues.

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,823,666	\$ 6,642,124	\$ 7,414,711	\$ 6,097,318
Support Services	4,263,070	3,162,028	4,325,965	3,385,406
Operation of Non-Instructional Services	423,180	(182,925)	452,066	(159,716)
Extracurricular Activities	322,333	82,943	327,384	82,113
Interest and Fiscal Charges	113,466	113,203	115,033	114,710
Total Expenses	<u>\$ 12,945,715</u>	<u>\$ 9,817,373</u>	<u>\$ 12,635,159</u>	<u>\$ 9,519,831</u>

THE SCHOOL DISTRICT'S FUNDS

Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$13,324,716 and expenditures and other financing uses of \$12,388,581. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General fund increased by \$1,047,287. The increase in fund balance is due to the School District's revenues exceeding expenditures.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2010, there were revisions to the General Fund budget. For the General Fund, the final budget basis revenue was \$10,883,223, which was \$109,599 above the original estimate amount of \$10,773,624. The School District's final budgeted appropriations were \$10,246,687, which was \$56,449 below the original estimate of \$10,303,136. The School District remained consistent between original and final budgeted amounts for revenues and appropriations. Differences between final budgeted and actual appropriations are due to lower than expected salaries, benefits, purchased services and materials and supplies expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2010, the School District had \$19,386,337 invested in its capital assets. Table 4 shows the fiscal year 2010 balances compared to 2009.

Table 4
 Capital Assets
 (Net of Accumulated Depreciation)

	Governmental Activities	
	2010	2009
Land	\$ 677,044	\$ 677,044
Land Improvements	1,528,994	1,513,501
Buildings and Improvements	15,648,104	16,299,809
Furniture, Fixtures, Equipment and Textbooks	1,029,506	1,096,580
Vehicles	502,689	520,437
Totals	\$ 19,386,337	\$ 20,107,371

Changes in capital assets from the prior year resulted from current year additions as well as disposals and depreciation expense. See Note 8 to the basic financial statements for more detailed information related to capital assets.

Adena Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Debt

At June 30, 2010, the School District had \$1,860,000 in bonds outstanding, (excluding unamortized premiums) of which \$110,000 is due within one year. The School District also had capital lease obligations outstanding of \$35,138, of which \$27,340 is due within one year. Table 5 summarizes the debt outstanding:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

	2010	2009
General Obligation Bonds:		
1999 School Improvement Bonds	\$ 775,000	\$ 880,000
2006 School Improvement Refunding Bonds	1,085,000	1,085,000
Premium on Refunding Bonds	28,461	31,049
Capital Leases	35,138	60,382
Total	\$ 1,923,599	\$ 2,056,431

See Note 14 to the basic financial statements for more detailed information related to the School District's debt and long term obligations.

CURRENT ISSUES

After nine years of occupancy, the Adena Local School District is still proud of our K-12 Facility.

Due to the economic downturn and the uncertainty of the amount of future state funding, the Adena Local Board of Education is still maintaining a very conservative approach in spending. The substantial cuts made prior to the passage of our 1% income tax in fiscal year 2007 and the passage of the income tax have made it possible to avoid the previously projected deficits. However, since over 70 percent of our funding comes from the State of Ohio, the new biennial budget effective July 1, 2011 will cause significant changes on future five year forecasts.

The Adena Local Board of Education is dedicated to providing a quality education for our students and stabilize the financial future for our School District. Our School District has taken a proactive approach by developing a school improvement plan. This plan addresses student and staff needs that assist our School District in becoming a School District of excellence. This quality education is exhibited by our consistent above average rating by the Ohio Department of Education.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the School District's financial condition and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Shaune Anders, Treasurer, Adena Local School District, 3367 County Road 550, Frankfort, Ohio 45628, or email at sanders@mail.gsn.k12.oh.us.

Adena Local School District
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 5,336,185
Cash and Cash Equivalents with Escrow Agents	1,141
Accounts Receivable	4,932
Intergovernmental Receivable	474,859
Taxes Receivable	2,444,084
Unamortized Bond Issuance Costs	14,037
Non-Depreciable Capital Assets	677,044
Depreciable Capital Assets, net	18,709,293
<i>Total Assets</i>	27,661,575
LIABILITIES:	
Accounts Payable	45,089
Accrued Wages and Benefits	836,307
Intergovernmental Payable	366,146
Accrued Interest Payable	8,526
Matured Compensated Absences Payable	27,520
Deferred Revenue	1,669,492
Claims Payable	59,283
Long-Term Liabilities:	
Due Within One Year	173,766
Due in More Than One Year	2,381,307
<i>Total Liabilities</i>	5,567,436
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	17,462,738
Restricted for Debt Service	236,038
Restricted for Capital Outlay	374,898
Restricted for Set Asides	695,264
Restricted for Other Purposes	583,028
Unrestricted	2,742,173
<i>Total Net Assets</i>	\$ 22,094,139

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

Adena Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction:				
Regular	\$ 5,733,975	\$ 256,005	\$ 256,080	\$ (5,221,890)
Special	1,284,833	44,197	481,071	(759,565)
Vocational	8,272	72	-	(8,200)
Other	796,586	38,513	105,604	(652,469)
Support Services:				
Pupils	397,692	22,199	4,117	(371,376)
Instructional Staff	600,230	23,186	147,838	(429,206)
Board of Education	43,281	2,447	-	(40,834)
Administration	949,590	52,082	23,606	(873,902)
Fiscal	332,326	18,355	736	(313,235)
Operation and Maintenance of Plant	996,630	35,074	329,297	(632,259)
Pupil Transportation	866,064	37,446	400,239	(428,379)
Central	77,257	4,365	55	(72,837)
Operation of Non-Instructional Services	423,180	236,858	369,247	182,925
Extracurricular Activities	322,333	116,824	122,566	(82,943)
Interest and Fiscal Charges	113,466	263	-	(113,203)
Total Governmental Activities	\$ 12,945,715	\$ 887,886	\$ 2,240,456	(9,817,373)
General Revenues:				
Property and Other Local Taxes Levied for:				
General Purposes				1,970,923
Building Maintenance				37,465
Debt Service				208,806
Income Tax				1,526,232
Grants and Entitlements not Restricted to Specific Programs				6,525,779
Gifts and Donations not Restricted to Specific Programs				98,679
Investment Earnings				24,000
Miscellaneous				49,635
Total General Revenues				10,441,519
Change in Net Assets				624,146
Net Assets Beginning of Year				21,469,993
Net Assets End of Year				\$ 22,094,139

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

Adena Local School District
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	\$ 3,314,367	\$ 941,742	\$ 4,256,109
Cash and Cash Equivalents with Escrow Agents	-	1,141	1,141
Accounts Receivable	4,932	-	4,932
Interfund Receivable	51,245	-	51,245
Intergovernmental Receivable	-	474,859	474,859
Taxes Receivable	2,212,619	231,465	2,444,084
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	695,264	-	695,264
<i>Total Assets</i>	<u>6,278,427</u>	<u>1,649,207</u>	<u>7,927,634</u>
LIABILITIES:			
Accounts Payable	44,986	103	45,089
Accrued Wages and Benefits	724,655	111,652	836,307
Interfund Payable	-	51,245	51,245
Intergovernmental Payable	326,244	39,902	366,146
Matured Compensated Absences Payable	-	27,520	27,520
Deferred Revenue	1,532,273	655,894	2,188,167
<i>Total Liabilities</i>	<u>2,628,158</u>	<u>886,316</u>	<u>3,514,474</u>
FUND BALANCES:			
Reserved:			
Reserved for Encumbrances	71,392	8,353	79,745
Reserved for Property Taxes	321,274	41,430	362,704
Reserved for Textbooks and Instructional Materials	610,654	-	610,654
Reserved for Capital Improvements	84,610	-	84,610
Unreserved, Undesignated, Reported in:			
General Fund	2,562,339	-	2,562,339
Special Revenue Funds	-	130,932	130,932
Debt Service Funds	-	207,278	207,278
Capital Projects Funds	-	374,898	374,898
<i>Total Fund Balances</i>	<u>3,650,269</u>	<u>762,891</u>	<u>4,413,160</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,278,427</u>	<u>\$ 1,649,207</u>	<u>\$ 7,927,634</u>

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

Adena Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances		\$ 4,413,160
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		19,386,337
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	52,816	
Intergovernmental	<u>465,859</u>	
Total		518,675
An internal service fund is used by management to charge the cost of insurance to individuals. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		325,529
Unamortized issuance costs represent deferred charges which do not provide current financial resources and therefore are not reported in the funds.		14,037
Long-term liabilities, including bonds, capital lease obligations, and the long-term portion of compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(631,474)	
Interest Payable	(8,526)	
Capital Lease Obligations	(35,138)	
Premium on Bonds Issued	(28,461)	
Bonds Payable	<u>(1,860,000)</u>	
Total		<u>(2,563,599)</u>
Net Assets of Governmental Activities		<u><u>\$ 22,094,139</u></u>

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

Adena Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	All Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property and Other Taxes	\$ 3,495,560	\$ 246,046	\$ 3,741,606
Intergovernmental	6,843,110	1,550,047	8,393,157
Interest	23,446	554	24,000
Tuition and Fees	475,481	-	475,481
Extracurricular Activities	66,720	107,373	174,093
Gifts and Donations	6,882	91,797	98,679
Customer Sales and Services	1,624	236,690	238,314
Miscellaneous	44,740	4,893	49,633
<i>Total Revenues</i>	<u>10,957,563</u>	<u>2,237,400</u>	<u>13,194,963</u>
EXPENDITURES:			
Current:			
Instruction:			
Regular	4,507,447	282,010	4,789,457
Special	767,942	502,177	1,270,119
Vocational	1,279	-	1,279
Other	680,552	115,472	796,024
Support Services:			
Pupils	412,895	4,502	417,397
Instructional Staff	407,541	161,412	568,953
Board of Education	43,281	-	43,281
Administration	888,597	25,812	914,409
Fiscal	322,611	5,169	327,780
Operation and Maintenance of Plant	618,663	360,069	978,732
Pupil Transportation	658,896	86,114	745,010
Central	75,481	60	75,541
Operation of Non-Instructional Services	2,964	403,564	406,528
Extracurricular Activities	167,151	134,019	301,170
Capital Outlay	197,976	181,639	379,615
Debt Service:			
Principal	25,244	105,000	130,244
Interest	4,653	110,261	114,914
<i>Total Expenditures</i>	<u>9,783,173</u>	<u>2,477,280</u>	<u>12,260,453</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,174,390</u>	<u>(239,880)</u>	<u>934,510</u>
OTHER FINANCING SOURCES AND (USES):			
Transfers In	-	128,128	128,128
Proceeds from Sale of Capital Assets	1,025	600	1,625
Transfers Out	(128,128)	-	(128,128)
<i>Total Other Financing Sources and (Uses)</i>	<u>(127,103)</u>	<u>128,728</u>	<u>1,625</u>
<i>Net Change in Fund Balances</i>	1,047,287	(111,152)	936,135
<i>Fund Balances at Beginning of Year</i>	<u>2,602,982</u>	<u>874,043</u>	<u>3,477,025</u>
<i>Fund Balances at End of Year</i>	<u>\$ 3,650,269</u>	<u>\$ 762,891</u>	<u>\$ 4,413,160</u>

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

Adena Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ 936,135

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.

Capital Asset Additions	376,682	
Current Year Depreciation	(1,095,532)	
Total	(718,850)	(718,850)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal. These are the proceeds from the sale of capital assets and the loss on the disposal of capital assets.

Proceeds from Sale of Capital Assets	1,625	
Loss on Disposal of Capital Assets	(3,809)	
Total	(2,184)	(2,184)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	1,820	
Intergovernmental	373,078	
Total	374,898	374,898

The amortization of premiums on the issuance of debt are not recorded in the governmental funds but are recorded as interest expense on the statement of activities. 2,588

The amortization of debt issuance costs are reported in the statement of activities but are not reported as expenditures in the governmental funds. (1,560)

Repayments of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 105,000

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities. 25,244

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (53,400)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Compensated Absences	(44,145)	
Decrease in Accrued Interest Payable	420	
Total	(43,725)	(43,725)

Net Change in Net Assets of Governmental Activities \$ 624,146

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

Adena Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Total Revenues and Other Financing Sources	\$ 10,773,624	\$ 10,883,223	\$ 10,883,225	\$ 2
Total Expenditures and Other Financing Uses	10,303,136	10,246,687	10,007,556	239,131
Net Change in Fund Balance	470,488	636,536	875,669	239,133
Fund Balance at Beginning of Year	2,912,494	2,912,494	2,912,494	-
Prior Year Encumbrances Appropriated	104,384	104,384	104,384	-
Fund Balance at End of Year	<u>\$ 3,487,366</u>	<u>\$ 3,653,414</u>	<u>\$ 3,892,547</u>	<u>\$ 239,133</u>

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

Adena Local School District
Statement of Fund Net Assets
Governmental Activities - Internal Service Fund
June 30, 2010

	<u>Internal Service</u>
ASSETS:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 384,812
<i>Total Assets</i>	<u>384,812</u>
LIABILITIES:	
Current Liabilities:	
Claims Payable	<u>59,283</u>
<i>Total Liabilities</i>	<u>59,283</u>
NET ASSETS:	
Unrestricted	<u>325,529</u>
<i>Total Net Assets</i>	<u><u>\$ 325,529</u></u>

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

Adena Local School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2010

	<u>Internal Service</u>
OPERATING REVENUES:	
Charges for Services	\$ 1,612,641
<i>Total Operating Revenues</i>	<u>1,612,641</u>
OPERATING EXPENSES:	
Purchased Services	100,358
Claims	1,397,907
Other	167,776
<i>Total Operating Expenses</i>	<u>1,666,041</u>
<i>Changes in Net Assets</i>	(53,400)
<i>Net Assets at Beginning of Year</i>	<u>378,929</u>
<i>Net Assets at End of Year</i>	<u>\$ 325,529</u>

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

Adena Local School District
Statement of Cash Flows
Governmental Activities - Internal Service Fund
For the Fiscal Year Ended June 30, 2010

	Internal Service
<i>Decrease in Cash and Cash Equivalents</i>	
<i>Cash Flows from Operating Activities:</i>	
Cash Received from Customers	\$ 1,612,641
Cash Payments for Claims	(1,369,722)
Cash Payments for Purchased Services	(100,358)
Cash Payments for Other	(167,776)
<i>Net Cash Used for Operating Activities</i>	(25,215)
Cash and Cash Equivalents at Beginning of Year	410,027
Cash and Cash Equivalents at End of Year	\$ 384,812
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
Operating Loss	\$ (53,400)
<i>Changes in Assets and Liabilities:</i>	
Increase in Claims Payable	28,185
<i>Net Cash Used for Operating Activities</i>	\$ (25,215)

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

Adena Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,165</u>	<u>\$ 29,476</u>
LIABILITIES:		
Undistributed Monies	<u>-</u>	<u>\$ 29,476</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>3,165</u>	
Total Net Assets	<u><u>\$ 3,165</u></u>	

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

Adena Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 3,539
Interest	<u>7</u>
Total Additions	3,546
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>2,150</u>
Change in Net Assets	1,396
Net Assets Beginning of Year	<u>1,769</u>
Net Assets End of Year	<u><u>\$ 3,165</u></u>

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield, and Union Townships. It is staffed by 54 non-certificated employees, 90 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,238 students and other community members. The School District currently operates two instructional buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Career and Technology Center, the Great Seal Education Network of Tomorrow, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The activity of the Internal Service Fund is eliminated to avoid “doubling up” revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental and those that are classified as business-type, however, the School District has no activities that are classified as business-type.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District’s major governmental fund:

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

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no enterprise funds.

Internal Service Fund The Internal Service Fund is used to account for the activity where School District self insures a portion of the employees’ high deductibles for health care provided to employees.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has two fiduciary funds: a private purpose trust fund used to account for college scholarship donations and an agency fund used to account for student activity programs.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, certain grants, and charges for services and sales.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures 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 governmental funds.

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

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the permanent appropriations for the fiscal year were passed. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when the final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

During fiscal year 2010 the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

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 and all other governmental funds during fiscal year 2010 amounted to \$23,446 and \$554, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; 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.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	7-30 years
Buildings and Improvements	50 years
Furniture, Fixtures, Equipment, and Textbooks	5 – 20 years
Vehicles	7-8 years

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after 15 years of current service with the School District.

The entire compensated absences liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund from which the employee will be paid.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

K. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service, music and athletic programs, and federal and state grants restricted to expenditures for specified purposes.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$1,889,228 in restricted net assets, none of which are restricted by enabling legislation.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generating directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for high deductibles for healthcare provided to employees. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

M. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers within governmental activities are eliminated on the statement of activities.

N. Estimates

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

O. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and capital improvements. See Note 15 for additional information regarding set-asides.

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, and capital improvements.

The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 – ACCOUNTABILITY

At June 30, 2010, the Food Service, Early Childhood, Title VI-B, Title I, Title I School Improvement, Chapter I, Title IV, and Title VI-R Special Revenue Funds, and the Permanent Improvement Capital Projects Fund had deficit fund balances of \$14,837, \$18,300, \$41,445, \$10,344, \$390, \$36,092, \$778, \$8,360, and \$32,273, respectively, which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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 Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Budgetary Basis) and Actual - presented for the General Fund 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 (modified accrual) basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
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 (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
General Fund	
GAAP Basis	\$ 1,047,287
Revenue Accruals	(75,363)
Expenditure Accrual	22,614
Encumbrances	<u>(118,869)</u>
Budget Basis	<u><u>\$ 875,669</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and 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 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2010, the School District’s bank balance of \$2,030,795 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments As of June 30, 2010, the School District had the following investments and maturities:

	<u>Market Value</u>	<u>Weighted Average Maturity (Yrs.)</u>
STAROhio	\$ 3,710,569	< 1 yr

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District limits its investments to STAROhio. Investments in STAROhio were rated AAAm by Standard & Poor’s. The School District’s policy does not address credit risk beyond the requirements of the Ohio Revised Code.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The School District’s investment policy allows investments in STAROhio, repurchase agreements, certificates of deposit or investments with financial institutions within the State of Ohio as designated by the Federal Reserve Board. The policy places no limit on how much can be invested in a single issuer. The School District has invested 100% of its investments in STAROhio.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's securities are either insured and registered in the name of the School District or at least registered in the name of the School District. The School District's policy does not address custodial credit risk beyond the requirements of the Ohio Revised Code.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - PROPERTY TAXES (Continued)

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

	<u>2009 Second-Half Collections</u>		<u>2010 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 95,565,790	94.58%	\$ 97,039,710	95.39%
Public Utility	3,811,560	3.77%	3,926,780	3.86%
Tangible Personal Property	1,665,860	1.65%	763,040	0.75%
Total Assessed Value	<u>\$ 101,043,210</u>	<u>100.00%</u>	<u>\$ 101,729,530</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.50		\$ 36.50	

The School District receives property taxes from Ross County. The Ross County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2010. 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 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, 2010 was \$321,274 in the General Fund and \$41,430 in all other governmental funds and is recognized as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts, intergovernmental grants and interfund. 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 year guarantee of federal funds. All receivables are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Non-Major Special Revenue Funds:</i>	
Title I	\$77,279
School Improvement, Title I	10,966
ARRA School Improvement, Title I	97,714
Martha Holden Jennings Grant	9,000
Technology, Title II-D	983
Title II-A	29,591
Safe and Drug-Free Schools, Title IV-A	2,601
Special Education, Part B-IDEA	43,795
ARRA Special Education, Part B-IDEA	183,765
Early Childhood	<u>19,165</u>
Total Intergovernmental Receivables	<u>\$474,859</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 - CAPITAL ASSETS

A summary of the changes in general capital assets during fiscal year 2010 follows:

	<u>Balance</u> <u>6/30/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/2010</u>
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$ 677,044	\$ -	\$ -	\$ 677,044
Total Capital Assets not being Depreciated	<u>677,044</u>	<u>-</u>	<u>-</u>	<u>677,044</u>
 Depreciable Capital Assets:				
Land Improvements	2,689,395	158,128	-	2,847,523
Buildings and Improvements	21,209,491	1,850		21,211,341
Furniture, Fixtures, Equipment and Textbooks	3,672,213	125,469	(24,372)	3,773,310
Vehicles	1,398,171	91,235	(25,000)	1,464,406
Total Capital Assets being Depreciated	<u>28,969,270</u>	<u>376,682</u>	<u>(49,372)</u>	<u>29,296,580</u>
Less Accumulated Depreciation				
Land Improvements	(1,175,894)	(142,635)	-	(1,318,529)
Buildings and Improvements	(4,909,682)	(653,555)	-	(5,563,237)
Furniture, Fixtures, Equipment and Textbooks	(2,575,633)	(190,359)	22,188	(2,743,804)
Vehicles	(877,734)	(108,983)	25,000	(961,717)
Total Accumulated Depreciation	<u>(9,538,943)</u>	<u>(1,095,532)</u>	<u>47,188</u>	<u>(10,587,287)</u>
Total Capital Assets being Depreciated, Net	<u>19,430,327</u>	<u>(718,850)</u>	<u>(2,184)</u>	<u>18,709,293</u>
Capital Assets, Net	<u>\$ 20,107,371</u>	<u>\$ (718,850)</u>	<u>\$ (2,184)</u>	<u>\$ 19,386,337</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$883,178
Special	6,695
Vocational	6,993
Support Services:	
Pupils	595
Instructional Staff	28,525
Administration	2,689
Fiscal	2,552
Operation and Maintenance of Plant	8,967
Pupil Transportation	117,711
Extracurricular Activities	21,163
Operation of Non-Instructional Services	<u>16,464</u>
Total Depreciation Expense	<u>\$1,095,532</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District contracted with Ohio Casualty Insurance for property insurance. Insurance coverage provided is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 31,904,121
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During fiscal year 2010, the School District contracted with Ohio Casualty Insurance for fleet insurance. Insurance coverage provided is as follows:

Liability	\$ 2,000,000
Uninsured motorist – Bodily Injury Liability	1,000,000

During fiscal year 2010, the School District contracted with Auto-Owners Insurance Company for flood insurance. Insurance coverage provided is as follows:

Building (\$1,000 Deductible)	\$ 100,000
Contents (\$1,000 Deductible)	100,000

During fiscal year 2010, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 17).

General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit and Sexual Abuse Injury - Each Sexual Abuse Offense Limit	\$ 3,000,000
Personal and Advertising Injury - Each Offense Limit	3,000,000
General Aggregate Limit	5,000,000
Products - Completed Operations Limit	3,000,000
Employee Benefits Liability Endorsement:	
Employee Benefits Injury - Each Offense Limit	3,000,000
Employee Benefits Injury - Aggregate Limit	5,000,000
Employer's Liability and Stop Gap Endorsement:	
Bodily Injury by Accident - Each Accident Limit	3,000,000
Bodily Injury by Disease - Endorsement Limit	3,000,000
Bodily Injury by Disease - Each Employee Limit	3,000,000
Education Legal Liability Coverage (\$2,500 deductible):	
Errors and Omissions Injury Limit	3,000,000
Errors and Omissions Injury Aggregate Limit	5,000,000
Employment Practices Injury Limit	3,000,000
Employment Practices Injury Aggregate Limit	5,000,000

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - RISK MANAGEMENT (Continued)

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement provides administrative, cost control, and actuarial services to the GRP.

Medical insurance coverage is offered to employees through Anthem Blue Cross and Blue Shield. Dental insurance coverage is offered to employees through Professional Risk Management, a Meritain Health Company.

The School District is enrolled in a Max 105 insurance plan, which is a high deductible insurance plan. With this plan, the School District self insures a portion of the employees' deductibles through their self-insurance Internal Service Fund. An administrative charge is paid monthly to Patrick Consulting. The claims liability of \$59,283 reported in the Internal Service Fund at June 30, 2010 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Premiums are paid from the same funds that pay the employees' salaries. Changes in claims activity for the past two fiscal years follow:

	<u>Balance at</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claim Payments</u>	<u>Balance at</u> <u>End of Year</u>
2009	\$15,910	\$1,343,430	\$1,328,242	\$31,098
2010	31,098	1,397,907	1,369,722	59,283

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 -DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Fund. The School District's contributions to SERS which were allocated for pension and death benefits for the fiscal years ended June 30, 2010, 2009 and 2008 were \$254,139, \$164,886, and \$130,020, respectively; 53 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$120,581 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation of every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2010, 2009, and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$613,622, \$591,836, and \$589,656, respectively; 83 percent of the required contribution has been made for fiscal year 2010 and 100 percent of the required contribution has been made for fiscal years 2009 and 2008. \$104,799 represents the unpaid contribution for fiscal year 2010 and is recorded as a liability within the respective funds.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 -DEFINED BENEFIT PENSION PLANS (Continued)

STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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, 2010, two members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Financial Annual Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the School District, these amounts equaled \$46,618, \$45,480, and \$45,301 for fiscal years 2010, 2009, and 2008, respectively, which equaled the required contribution for each year.

School Employees Retirement System

In addition to a cost-sharing, multiple-employer defined benefit pension plan, the School Employees Retirement System (SERS) administers two post employment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocation was 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the School District, contributions for the years ended June 30, 2010, 2009, and 2008, were \$12,831, \$11,569, and \$9,475, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$34,656, \$82,015, and \$75,352, respectively, which equaled the required contribution for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 260 days per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators who work less than 260 days per year do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, certificated employees receive payment for one-fourth of accumulated sick days with maximum payments as follows: Employees, upon retirement, receive payment for one-fourth of accumulated sick days with maximum payments up to 49 days.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 - OTHER EMPLOYEE BENEFITS (Continued)

B. Life Insurance

The School District provides life insurance to most employees through Hartford Life and Accident Insurance Company.

C. Deferred Compensation

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

NOTE 13 – CAPITAL LEASES – LESSEE DISCLOSURE

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

For the leased assets related to the governmental funds, capital assets acquired by lease have been capitalized in the government-wide financial statements in an amount of \$276,778. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the government-wide financial statements. Future minimum lease payments through 2012 are as follows:

Fiscal Year Ending June 30,	
2011	\$ 29,304
2012	9,768
Total Minimum Lease Payments	<u>39,072</u>
Less: Amounts Representing Interest	<u>(3,934)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 35,138</u></u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 06/30/2009	Additions	Deductions	Amount Outstanding 06/30/2010	Amount Due Within One Year
<u>General Obligation Bonds:</u>					
1999 School Improvement Bonds 5.36%	\$ 880,000	\$ -	\$ 105,000	\$ 775,000	\$ 110,000
2006 School Improvement Refunding Bonds - 5.50%	1,085,000	-	-	1,085,000	-
Premium on Refunding Bonds	31,049	-	2,588	28,461	2,588
<u>Other Long-Term Obligations:</u>					
Capital Leases Payable	60,382	-	25,244	35,138	27,340
Compensated Absences Payable	587,329	340,434	296,289	631,474	33,838
Total Long-Term Obligations	\$ 2,643,760	\$ 340,434	\$ 429,121	\$ 2,555,073	\$ 173,766

1999 School Improvement Bonds – On August 1, 1999, the School District issued \$2,878,000 in voted general obligation bonds for the purpose of the construction of a new education complex. The bonds were issued for a twenty-two year period with final maturity at December 1, 2021. The bonds will be retired from the Debt Service Fund.

During 2006, the School District issued \$1,085,000 of general obligation school improvement refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,110,000 of general obligation bonds which constitutes a portion of the 1999 general obligation school improvement bonds. As a result, the outstanding principal of \$1,110,000 of the advance refunded debt is considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price was below the net carrying amount of the old debt by \$65,504. This amount is being netted against the new debt and amortized over the remaining life of the new debt, which is shorter than the life of the refunded debt issued. The refunding bonds will be repaid from the Debt Service Fund.

Compensated absences will be paid from the Termination of Benefits Special Revenue Fund. Capital leases will be paid from the General Fund.

The School District's overall legal debt margin was \$7,295,658 with an unvoted debt margin of \$101,730 at June 30, 2010.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire the bonds outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds		School Improvement Refunding Bonds		Total
	Principal	Interest	Principal	Interest	
2011	\$ 110,000	\$ 45,103	\$ -	\$ 59,675	\$ 214,778
2012	120,000	39,120	-	59,675	218,795
2013	125,000	31,845	-	59,675	216,520
2014	130,000	23,430	-	59,675	213,105
2015	140,000	14,520	-	59,675	214,195
2016-2020	150,000	4,950	685,000	225,363	1,065,313
2021-2022	-	-	400,000	22,275	422,275
	<u>\$ 775,000</u>	<u>\$ 158,968</u>	<u>\$ 1,085,000</u>	<u>\$ 546,013</u>	<u>\$ 2,564,981</u>

NOTE 15 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside, in the General fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials and capital improvements. Disclosure of this information is required by State statute.

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2009	\$ 441,048	\$ 41,027
Current Year Set-aside Requirement	199,078	199,078
Current Year Offsets	-	(35,523)
Current Year Disbursements	(29,472)	(119,972)
Set-aside Reserve Balance as of June 30, 2010	<u>\$ 610,654</u>	<u>\$ 84,610</u>

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson, Vinton, Pickaway, Gallia, Ross, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$85,888 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Career and Technical Center, Tonya Cooper, who serves as Treasurer, at P.O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

B. Pickaway-Ross County Career and Technology Center

The Pickaway-Ross County Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The Center provides vocational instruction to students in both Pickaway and Ross Counties. To obtain financial information write to the Pickaway-Ross County Career and Technology Center, Ben Van Horn, who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

C. Great Seal Education Network of Tomorrow

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

NOTE 17 – CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 17 – CLAIMS SERVICING AND INSURANCE PURCHASING POOLS (Continued)

Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc., and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and market representative, which establishes agreements between OSP and member schools.

NOTE 18 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers were made to move unrestricted balances to support programs and projects accounted for in other funds. The Permanent Improvement Capital Projects Fund received a transfer in the amount of \$83,128 and the Termination Benefits Special Revenue Fund received a transfer in the amount of \$45,000 from the General Fund.

B. Interfund Advances

Interfund balances at June 30, 2010, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2011 fiscal year:

<u>Interfund Loans</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 51,245	\$ -
Nonmajor Special Revenue Funds:		
District Managed Activities - Fund 300	-	2,768
Early Childhood Education - Fund 439	-	429
Title I - Fund 536	-	2,396
Title I - Fund 537	-	390
Title I - Fund 572	-	8,420
Title IV - Fund 584	-	2,599
	<hr/>	<hr/>
Total Nonmajor Special Revenue Funds	-	17,002
	<hr/>	<hr/>
Nonmajor Capital Projects Fund		
Permanent Improvement - Fund 003	-	34,243
	<hr/>	<hr/>
Total Interfund Receivables/Payables	<u>\$ 51,245</u>	<u>\$ 51,245</u>

The amounts due to the General fund are the result of the School District moving unrestricted monies to support grant funds whose grants operate on a reimbursement basis. The General fund will be reimbursed when funds become available in the non-major special revenue and capital projects funds.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 19 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

NOTE 20 – INCOME TAX

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective January 1, 2007, and is a five year levy. 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

NOTE 21 – SUBSEQUENT EVENTS

On July 20, 2010, the School District approved a resolution to place a renewal income tax levy of 1 percent for five years on the November 2, 2010 ballot.

On July 20, 2010, the School District also approved a comprehensive facility services agreement with the Limbach Company to perform energy efficiency work.

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES

For 2010, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” Statement No. 57 “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,” and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies.”

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any material change to the School District’s basic financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the School District’s basic financial statements.

Adena Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 22 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the School District's basic financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this statement will provide more consistent recognition, measurement, display and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the School District's basic financial statements.

Adena Local School District
 Ross County
 Schedule of Federal Awards Receipts and Expenditures
 For the Fiscal Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
United States Department of Agriculture						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 157,256	\$ 22,354	\$ 157,256	\$ 22,354
School Breakfast Program	3L70	10.553	24,095	-	24,095	-
Special Milk Program	3L60	10.556	1,036	-	1,036	-
Total Nutrition Cluster			<u>182,387</u>	<u>22,354</u>	<u>182,387</u>	<u>22,354</u>
Total United States Department of Agriculture			182,387	22,354	182,387	22,354
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	326,714	-	335,866	-
Title I Grants to Local Education Agencies, ARRA	3DK0	84.389	32,850	-	37,438	-
Total Title I, Part A Cluster			<u>359,564</u>	<u>-</u>	<u>373,304</u>	<u>-</u>
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	243,888	-	244,344	-
Special Education - Grants to States, ARRA	3DJ0	84.391	100,506	-	100,500	-
Total Special Education Cluster			<u>344,394</u>	<u>-</u>	<u>344,844</u>	<u>-</u>
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	1,757	-	2,481	-
Twenty-First Century Community Learning Centers	3Y20	84.287	935	-	-	-
Education Technology State Grants, ARRA	3S20	84.386	1,827	-	1,827	-
Improving Teacher Quality State Grants	3Y60	84.367	77,951	-	78,861	-
School Improvements Grant	3AN0	84.377	2,642	-	-	-
State Fiscal Stabilization Fund, ARRA	GRF	84.394	433,501	-	433,501	-
Total United States Department of Education			<u>1,222,571</u>	<u>-</u>	<u>1,234,818</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,404,958</u>	<u>\$ 22,354</u>	<u>\$ 1,417,205</u>	<u>\$ 22,354</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.

Adena Local School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2010

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

NOTE C – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.



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

Members of the Board
Adena Local School District
3367 County Road 550
Frankfort, Ohio 45628

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Adena Local School District, Ross County, Ohio (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 27, 2010, wherein we noted that the School District implemented GASB Statements No. 51, No. 53, No. 57, and No. 58. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

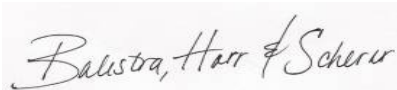
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Members of the Board
Adena Local School District
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2010



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

Members of the Board
Adena Local School District
3367 County Road 550
Frankfort, Ohio 45628

Compliance

We have audited the compliance of Adena Local School District, Ross County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly affect each of Adena Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.
December 27, 2010

Adena Local School District
Schedule of Findings
OMB Circular A-133 Section .505
June 30, 2010

Summary of Auditor's Results

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under Section .510?	No
<i>(d)(1)(vii)</i>	Major Program(s) (list):	Title I Cluster: Title I - CFDA #84.010 Title I (ARRA) – CFDA #84.389 Special Education Cluster: Title VI-B - CFDA #84.027 Title VI-B (ARRA) - CFDA #84.391 Fiscal Stabilization Fund (ARRA) - CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Independent Auditor's Report on Applying Agreed-Upon Procedures

Adena Local School District
Ross County
3367 County Road 550
Frankfort, Ohio 45628

To the Board of Education:

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

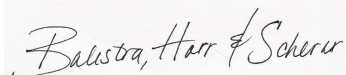
Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Adena Local School District (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is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

1. We noted the Board updated their anti-harassment policy at its meeting on March 16, 2010.
2. We read the policy and noted it included the following requirements from the Ohio Rev. Code Section 3313.666(B)
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.66;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- 6) A procedure for documenting any prohibited incident that is reported;
- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Balestra, Harr & Scherer, CPAs, Inc.

December 27, 2010



Dave Yost • Auditor of State

ADENA LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 10, 2011**