



**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Adena Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Adena Local School District, Ross County, Ohio as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

JIM PETRO
Auditor of State

November 28, 2000

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
Assets and Other Debits:									
Assets:									
Equity in Pooled Cash and Cash Equivalents	\$1,615,556	\$131,592	\$69,027	\$10,968,305	\$4,530	\$25,536	\$0	\$0	\$12,814,546
Receivables:									
Taxes	1,286,671	29,071	220,935	0	0	0	0	0	1,536,677
Accounts	0	100	0	0	0	0	0	0	100
Intergovernmental	200	45,674	0	0	0	0	0	0	45,874
Interfund	26,821	0	0	0	0	0	0	0	26,821
Prepaid Items	33,946	148	0	0	0	0	0	0	34,094
Materials and Supplies Inventory	21,989	3,823	0	0	0	0	0	0	25,812
Restricted Assets:									
Equity in Pooled Cash	236,980	0	0	0	0	0	0	0	236,980
Cash with Fiscal Agents	0	0	0	90,329	0	0	0	0	90,329
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0	0	0	5,418,015	0	5,418,015
Other Debits:									
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0	0	0	0	94,121	94,121
Amount to be Provided from General Government Resources	0	0	0	0	0	0	0	3,257,463	3,257,463
Total Assets and Other Debits	<u>\$3,222,163</u>	<u>\$210,408</u>	<u>\$289,962</u>	<u>\$11,058,634</u>	<u>\$4,530</u>	<u>\$25,536</u>	<u>\$5,418,015</u>	<u>\$3,351,584</u>	<u>\$23,580,832</u>

(continued)

ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Internal	Trust and	General	General	
					Service	Agency	Fixed Assets	Long-Term Obligations	
Liabilities,									
Fund Equity and Other Credits:									
Liabilities:									
Accounts Payable	\$3,340	\$2,026	\$0	\$9,416	\$0	\$0	\$0	\$0	\$14,782
Accrued Wages and Benefits	494,646	69,170	0	0	0	0	0	0	563,816
Compensated Absences Payable	9,745	0	0	0	0	0	0	491,999	501,744
Interfund Payable	0	8,021	0	18,800	0	0	0	0	26,821
Intergovernmental Payable	119,514	10,087	0	0	53,086	0	0	60,795	243,482
Deferred Revenue	1,151,997	25,769	195,841	0	0	0	0	0	1,373,607
Contracts Payable	0	0	0	902,190	0	0	0	0	902,190
Retainage Payable	0	0	0	90,329	0	0	0	0	90,329
Undistributed Monies	0	0	0	0	0	24,816	0	0	24,816
Claims Payable	0	0	0	0	99,260	0	0	0	99,260
Capital Leases Payable	0	0	0	0	0	0	0	48,790	48,790
General Obligation Bonds Payable	0	0	0	0	0	0	0	2,750,000	2,750,000
Total Liabilities	1,779,242	115,073	195,841	1,020,735	152,346	24,816	0	3,351,584	6,639,637
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	5,418,015	0	5,418,015
Retained Earnings:									
Unreserved (Deficit)	0	0	0	0	(147,816)	0	0	0	(147,816)
Fund Balance:									
Reserved for Encumbrances	146,781	864	0	1,225,026	0	0	0	0	1,372,671
Reserved for Inventory	21,989	3,823	0	0	0	0	0	0	25,812
Reserved for Property Taxes	134,674	3,302	25,094	0	0	0	0	0	163,070
Reserved for Textbooks	84,011	0	0	0	0	0	0	0	84,011
Reserved for Capital Acquisitions	41,507	0	0	0	0	0	0	0	41,507
Reserved for School Bus Purchases	34,984	0	0	0	0	0	0	0	34,984
Reserved for Budget Stabilization	76,478	0	0	0	0	0	0	0	76,478
Unreserved:									
Undesignated	902,497	87,346	69,027	8,812,873	0	720	0	0	9,872,463
Total Fund Equity (Deficit) and Other Credits	1,442,921	95,335	94,121	10,037,899	(147,816)	720	5,418,015	0	16,941,195
Total Liabilities, Fund Equity and Other Credits	\$3,222,163	\$210,408	\$289,962	\$11,058,634	\$4,530	\$25,536	\$5,418,015	\$3,351,584	\$23,580,832

See accompanying notes to the general purpose financial statements

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
JUNE 30, 2000**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Property Taxes	\$1,323,109	\$29,599	\$224,950	\$0	\$0	\$1,577,658
Intergovernmental	4,355,691	575,404	27,397	10,240,594	0	15,199,086
Interest	167,383	36	0	238,266	0	405,685
Tuition and Fees	20,577	0	0	0	0	20,577
Extracurricular Activities	38,318	76,152	0	0	0	114,470
Gifts and Donations	4,227	6,942	0	0	2,720	13,889
Customer Services	0	161,458	0	0	0	161,458
Miscellaneous	13,416	3,800	6,444	0	0	23,660
Total Revenues	5,922,721	853,391	258,791	10,478,860	2,720	17,516,483
Expenditures:						
Current:						
Instruction:						
Regular	2,686,603	106,140	0	20,909	0	2,813,652
Special	381,094	267,313	0	0	0	648,407
Vocational	1,639	0	0	0	0	1,639
Other	305,390	0	0	0	0	305,390
Support Services:						
Pupils	218,848	2,000	0	956	2,760	224,564
Instructional Staff	272,533	103,262	0	3,784	0	379,579
Board of Education	16,877	0	0	0	0	16,877
Administration	662,438	13,000	0	981	0	676,419
Fiscal	186,380	693	5,266	0	0	192,339
Operation and Maintenance of Plant	499,491	5,000	0	167,319	0	671,810
Pupil Transportation	462,048	0	0	0	0	462,048
Central	2,916	703	0	2,608	0	6,227
Operation of Non-Instructional Services	0	236,725	0	0	0	236,725
Extracurricular Activities	104,658	84,238	0	0	0	188,896
Capital Outlay	18,206	0	0	3,834,925	0	3,853,131
Debt Service:						
Principal Retirement	10,379	0	128,000	0	0	138,379
Interest and Fiscal Charges	3,985	0	113,124	22,386	0	139,495
Total Expenditures	5,833,485	819,074	246,390	4,053,868	2,760	10,955,577
Excess of Revenues Over (Under) Expenditures	89,236	34,317	12,401	6,424,992	(40)	6,560,906
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	2,878,000	0	2,878,000
Proceeds from Sale of Fixed Assets	3,000	0	0	0	0	3,000
Operating Transfers In	0	11,542	0	211,311	0	222,853
Operating Transfers Out	(164,305)	0	(58,548)	0	0	(222,853)
Total Other Financing Sources (Uses)	(161,305)	11,542	(58,548)	3,089,311	0	2,881,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(72,069)	45,859	(46,147)	9,514,303	(40)	9,441,906
Fund Balances at Beginning of Year	1,507,681	52,831	140,268	523,596	760	2,225,136
Increase (Decrease) in Reserve for Inventory	7,309	(3,355)	0	0	0	3,954
Fund Balances at End of Year	\$1,442,921	\$95,335	\$94,121	\$10,037,899	\$720	\$11,670,996

See Accompanying Notes to the General Purpose Financial Statements

ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,291,303	\$1,291,303	\$0	\$28,682	\$28,682	\$0
Intergovernmental	4,355,691	4,355,691	0	518,477	518,477	0
Interest	144,015	144,015	0	36	36	0
Tuition and Fees	20,728	20,728	0	0	0	0
Extracurricular Activities	38,318	38,318	0	76,152	76,152	0
Gifts and Donations	4,227	4,227	0	6,942	6,942	0
Customer Services	0	0	0	266	266	0
Miscellaneous	12,273	12,273	0	0	0	0
Total Revenues	5,866,555	5,866,555	0	630,555	630,555	0
Expenditures:						
Current:						
Instruction:						
Regular	2,812,178	2,678,775	133,403	106,325	100,666	5,659
Special	389,720	373,361	16,359	258,531	258,531	0
Vocational	2,299	1,639	660	0	0	0
Other	395,219	328,901	66,318	0	0	0
Support Services:						
Pupils	234,725	216,520	18,205	2,000	2,000	0
Instructional Staff	303,050	274,459	28,591	104,508	101,362	3,146
Board of Education	67,585	22,879	44,706	0	0	0
Administration	694,453	648,219	46,234	18,401	13,215	5,186
Fiscal	219,973	185,757	34,216	693	693	0
Operation and Maintenance of Plant	924,830	549,807	375,023	5,000	5,000	0
Pupil Transportation	580,497	539,704	40,793	0	0	0
Central	3,940	3,221	719	702	702	0
Operation of Non-Instructional Services	1,000	0	1,000	232,592	232,592	0
Extracurricular Activities	134,655	104,746	29,909	92,176	89,631	2,545
Capital Outlay	218,202	20,607	197,595	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,982,326	5,948,595	1,033,731	820,928	804,392	16,536
Excess of Revenues Over (Under) Expenditures	(1,115,771)	(82,040)	(1,033,731)	(190,373)	(173,837)	16,536
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	3,000	3,000	0	0	0	0
Refund of Prior Year Expenditures	824	824	0	3,700	3,700	0
Advances In	8,451	8,451	0	8,021	8,021	0
Advances Out	(26,821)	(26,821)	0	(8,451)	(8,451)	0
Operating Transfers In	234,927	234,927	0	11,542	11,542	0
Operating Transfers Out	(404,164)	(399,232)	4,932	0	0	0
Other Financing Sources	119	119	0	180,141	180,141	0
Total Other Financing Sources (Uses)	(183,664)	(178,732)	4,932	194,953	194,953	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,299,435)	(260,772)	(1,028,799)	4,580	21,117	16,536
Fund Balances at Beginning of Year	1,679,666	1,679,666	0	92,148	92,148	0
Prior Year Encumbrances Appropriated	248,997	248,997	0	7,696	7,696	0
Fund Balances at End of Year	\$629,228	\$1,667,891	\$1,038,663	\$104,424	\$120,961	\$16,537

See Accompanying Notes to the General Purpose Financial Statements

Debt Service Fund			Capital Project Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
217,981	217,981	\$0	\$0	\$0	\$0
27,397	27,397	0	10,240,594	10,240,594	0
0	0	0	238,266	238,266	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
245,378	245,378	0	10,478,860	10,478,860	0
0	0	0	27,882	21,018	6,864
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	1,299	956	343
0	0	0	6,889	3,784	3,105
0	0	0	0	0	0
0	0	0	981	981	0
6,000	5,266	734	0	0	0
0	0	0	174,846	174,846	0
0	0	0	0	0	0
0	0	0	18,161	2,608	15,553
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	4,352,097	4,055,052	297,045
3,006,000	3,006,000	0	0	0	0
171,671	171,671	0	0	0	0
3,183,671	3,182,937	734	4,582,155	4,259,245	322,910
(2,938,293)	(2,937,559)	734	5,896,705	6,219,615	322,910
2,878,000	2,878,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	18,800	18,800	0
0	0	0	0	0	0
0	0	0	152,763	152,763	0
0	0	0	0	0	0
6,443	6,443	0	0	0	0
2,884,443	2,884,443	0	171,563	171,563	0
(53,850)	(53,116)	734	6,068,268	6,391,178	322,910
122,143	122,143	0	3,395,062	3,395,062	0
0	0	0	46,343	46,343	0
\$68,293	\$69,027	\$734	\$9,509,673	\$9,832,583	\$322,910

(Continued)

ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
JUNE 30, 2000
(Continued)**

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$0	\$0	\$0	\$1,537,966	\$1,537,966	0
Intergovernmental	0	0	0	15,142,159	15,142,159	0
Interest	0	0	0	382,317	382,317	0
Tuition and Fees	0	0	0	20,728	20,728	0
Extracurricular Activities	0	0	0	114,470	114,470	0
Gifts and Donations	2,720	2,720	0	13,889	13,889	0
Customer Services	0	0	0	266	266	0
Miscellaneous	0	0	0	12,273	12,273	0
Total Revenues	2,720	2,720	0	17,224,068	17,224,068	0
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	2,946,385	2,800,459	145,926
Special	0	0	0	648,251	631,892	16,359
Vocational	0	0	0	2,299	1,639	660
Other	0	0	0	395,219	328,901	66,318
Support Services:						
Pupils	3,480	3,480	0	241,504	222,956	18,548
Instructional Staff	0	0	0	414,447	379,605	34,842
Board of Education	0	0	0	67,585	22,879	44,706
Administration	0	0	0	713,835	662,415	51,420
Fiscal	0	0	0	226,666	191,716	34,950
Operation and Maintenance of Plant	0	0	0	1,104,676	729,653	375,023
Pupil Transportation	0	0	0	580,497	539,704	40,793
Central	0	0	0	22,803	6,531	16,272
Operation of Non-Instructional						
Services	0	0	0	233,592	232,592	1,000
Extracurricular Activities	0	0	0	226,831	194,377	32,454
Capital Outlay	0	0	0	4,570,299	4,075,659	494,640
Debt Service:						
Principal Retirement	0	0	0	3,006,000	3,006,000	0
Interest and Fiscal Charges	0	0	0	171,671	171,671	0
Total Expenditures	3,480	3,480	0	15,572,560	14,198,649	1,373,911
Excess of Revenues Over (Under) Expenditures	(760)	(760)	0	1,651,508	3,025,419	1,373,911
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds	0	0		2,878,000	2,878,000	0
Proceeds from Sale of Fixed Assets	0	0	0	3,000	3,000	0
Refund of Prior Year Expenditures	0	0	0	4,524	4,524	0
Advances In	0	0	0	35,272	35,272	0
Advances Out	0	0	0	(35,272)	(35,272)	0
Operating Transfers In	0	0	0	399,232	399,232	0
Operating Transfers Out	0	0	0	(404,164)	(399,232)	4,932
Other Financing Sources	0	0	0	186,703	186,703	0
Total Other Financing Sources (Uses)	0	0	0	3,067,295	3,072,227	4,932
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(760)	(760)	0	4,718,803	6,097,646	1,378,843
Fund Balances at Beginning of Year	760	760	0	5,289,779	5,289,779	0
Prior Year Encumbrances Appropriated	0	0	0	303,036	303,036	0
Fund Balances at End of Year	\$0	\$0	\$0	\$10,311,618	\$11,690,461	\$1,378,843

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICE FUND
JUNE 30, 2000**

	<u>Self-Insurance</u>
Operating Revenues:	
Charges for Services	<u>\$463,894</u>
Operating Expenses:	
Purchased Services	48,052
Claims	<u>362,815</u>
Total Operating Expenses	<u>410,867</u>
Operating Income	53,027
Non-Operating Revenues:	
Interest	<u>506</u>
Net Income	53,533
Retained Earnings (Deficit) at Beginning of Year	<u>(201,349)</u>
Retained Earnings (Deficit) at End of Year	<u><u>(\$147,816)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN
FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
INTERNAL SERVICE FUND
JUNE 30, 2000**

	Self-Insurance Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$40,905	\$40,905	\$0
Expenses:			
Purchased Services	50,999	50,999	0
Excess of Revenues Under Expenses	(10,094)	(10,094)	0
Fund Equity at Beginning of Year	11,801	11,801	0
Prior Year Encumbrances Appropriated	2,331	2,331	0
Fund Equity at End of Year	\$4,038	\$4,038	\$0

See Accompanying Notes to the General Purpose Financial Statements

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
	<u>Self-Insurance</u>
Cash Received from Quasi-External Transactions with Other Funds	\$463,894
Cash Payments to Suppliers for Goods and Services	(48,852)
Cash Payments for Claims	<u>(328,893)</u>
Net Cash Provided By Operating Activities	86,149
Cash Flows from Noncapital Financing Activities:	
Short-term Borrowing From Another Government	(96,256)
Cash Flows from Investing Activities:	
Interest	<u>506</u>
Net Decrease in Cash and Cash Equivalents	(9,601)
Cash and Cash Equivalents at Beginning of Year	<u>14,131</u>
Cash and Cash Equivalents at End of Year	<u><u>\$4,530</u></u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating Income	\$53,027
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(800)
Increase in Claims Payable	<u>33,922</u>
Net Cash Provided By Operating Activities	<u><u>\$86,149</u></u>

See Accompanying Notes to the General Purpose Financial Statements

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1965 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 123 square miles. It is located in Ross County, and includes all of the Villages of Clarksburg and Frankfort, and portions of Concord, Deerfield and Union Townships. It is staffed by 49 non-certificated employees, 73 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,256 students and other community members. The School District currently operates 5 instructional buildings.

Reporting Entity:

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

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

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

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

The School District is associated with three jointly governed organizations: South Central Ohio Computer Association, Pickaway-Ross County Joint Vocational School, and Great Seal Education Network of Tomorrow. The School District is also associated with a claims servicing pool and an insurance purchasing pool: the Ross County School Employees Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

Debt Service Fund

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

Capital Projects Funds

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

Proprietary Fund Type:

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

Internal Service Fund

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

Fiduciary Fund Types:

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

Account Groups:

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The School District has no contributed capital. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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

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

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The Self-Insurance Internal Service fund has only the dental insurance portion of the fund budgeted and shown as part of the School District's cash activity; the medical insurance activity is handled by a fiscal agent and is not budgeted. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Before year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted; however, it was not significant.

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

Encumbrances:

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

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

Retainage held until the completion of major construction projects is held in separate bank accounts. Retainage accounts held at June 30, 2000 are presented as "Cash with Escrow Agents" on the balance sheet.

During fiscal year 2000, the District's investments were limited to STAR Ohio, money market mutual funds and U. S. Government Securities. Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$167,383, which includes \$42,383 assigned from other School District funds. The special revenue, capital projects and internal service funds also received interest revenue of \$36, \$238,266 and \$506, respectively.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

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

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

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

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

H. Intergovernmental Revenues

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

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

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development in Technology
- Venture Capital
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- Emergency Building Repair

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

- Ohio Reads Grant
- Title I
- Title VI
- Title VI-B
- Title VI-R
- Summer Intervention
- Safe School Help Line
- Professional Development Block Grant
- Drug Free School
- School Net Professional

Capital Projects Funds

- School Net Plus
- Technology Equity

Reimbursable Grants

General Fund

- Driver Education

Special Revenue Funds

- National School Lunch Program
- Government Donated Commodities
- Telecommunications Grant

Grants and entitlements amounted to 87 percent of the School District's governmental operating revenue during the 2000 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables" and "interfund payables."

J. Compensated Absences

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences (Continued)

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

K. Accrued Liabilities and Long-Term Obligations

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

Obligations financed by the proprietary fund are reported as liabilities within that fund. At year-end, the self-insurance internal service fund has a deficit cash balance held with the fiscal agent of the claims servicing pool (Note 9). The School District is temporarily using surplus funds of other members of the pool. The balance held with the fiscal agent is reviewed every three years, at which time one-half of any deficit balance is paid. The negative balance of \$53,086 held with the fiscal agent at June 30, 2000 is shown as an Intergovernmental Payable on the combined balance sheet.

L. Interfund Transactions

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

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended revenues restricted for the purchase of buses, and amounts required by statute to be set aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and the creation of a reserve for budget stabilization. See Note 16 for additional information regarding set-asides.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance Reserves

The School District reserves those portions of fund equity 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 equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, property taxes, textbooks, capital acquisitions, school bus purchases, and budget stabilization.

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

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

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

3. ACCOUNTABILITY

At June 30, 2000, the Lunchroom, EMIS, DPIA, Summer Intervention, Title VI-R and Emergency Building Repair Special Revenue Funds have deficit fund balances of \$12,455, \$45, \$93, \$400, \$4,272 and \$14,801, respectively, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Self-Insurance Internal Service Fund has deficit retained earnings of \$147,816 at June 30, 2000, which was created by the inclusion of the deficit balance held with a fiscal agent for the purpose of paying the School District's medical claims, and by the application of generally accepted accounting principles. The balance is reviewed every three years, at which time one-half of any deficit balance is paid from the general fund.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District does not budget for the activities of the fiscal agent who collects and holds assets used for the payment of medical claims. However, the activities of the fiscal agent are included in the internal service fund for GAAP reporting purposes.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$72,069)	\$45,859	(\$46,147)	\$9,514,303	(\$40)
Revenue Accruals	(55,223)	(38,995)	(6,970)	0	0
Expenditure	45,884	25,313	(58,547)	1,020,674	(1,440)
Proceeds of Bonds	0	0	0	(2,878,000)	0
Transfers	0	0	58,548	(58,548)	0
Advances	(18,370)	(430)	0	18,800	0
Encumbrances	(160,994)	(10,631)	0	(1,226,051)	720
Budget Basis	(\$260,772)	\$21,117	(\$53,116)	\$6,391,178	(\$760)

**Net Income/Excess of Revenues
Under Expenses
Internal Service Fund**

GAAP Basis	\$53,533
Expense Accruals	33,121
Encumbrances	(492)
Excess of Revenues over Expenses for Non-Budgeted Activity	(96,256)
Budget Basis	(\$10,094)

5. DEPOSITS AND INVESTMENTS

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

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits:

At fiscal year end, the carrying amount of the School District's deposits was \$277,820 and the bank balance was \$336,505. Of the bank balance, \$300,000 was covered by federal depository insurance and \$36,505 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments:

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

	Category 2	Fair Value
U.S. Government Securities	\$5,998,796	\$6,022,447
Money Market Mutual Fund	0	52,627
STAR Ohio	0	6,788,961
	\$5,998,796	\$12,864,035

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$13,141,855	\$0
Investments:		
Money Market Mutual Fund	(52,627)	52,627
STAR Ohio	(6,788,961)	6,788,961
U.S. Government Securities	(6,022,447)	6,022,447
	\$277,820	\$12,864,035

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2000 for real and public utility property taxes represents collections of calendar 1999 taxes. Property tax payments received during calendar 2000 for tangible personal property (other than public utility property) are for calendar 2000 taxes.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

2000 real property taxes are levied after April 1, 2000, on the assessed value as of January 1, 2000, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2000 public utility property taxes became a lien December 31, 1999, are levied after April 1, 2000 and are collected in 2001 with real property taxes.

2000 tangible personal property taxes are levied after April 1, 1999, on the value as of December 31, 1999. Collections are made in 2000. Tangible personal property assessments are twenty-five percent of true value.

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

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

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$54,351,020	84.28%	\$56,906,340	89.99%
Public Utility	4,875,640	7.56%	4,967,912	7.86%
Tangible Personal Property	5,260,230	8.16%	1,362,600	2.15%
Total Assessed Value	\$64,214,890	100.00%	\$63,236,852	100.00%
Tax rate per \$1,000 of assessed valuation	\$33.80		\$38.10	

The School District receives property taxes from Ross County. The 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$134,674, \$3,302 and \$25,094 in the General Fund, Special Revenue Funds and Debt Service fund, respectively.

7. RECEIVABLES

Receivables at June 30, 2000, consisted of property taxes, accounts (tuition and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General	
Driver's Education Reimbursement	\$200
Special Revenue:	
Lunchroom	7,593
Ohio Reads Grant	30,000
Title I	8,081
Total Special Revenue	<u>45,674</u>
Total Intergovernmental Receivables	<u><u>\$45,874</u></u>

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2000 follows:

<u>Asset Category</u>	<u>Balance at 6/30/99</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/00</u>
Land and Improvements	\$827,863	\$0	\$89	\$827,774
Buildings and Improvements	1,089,489	0	0	1,089,489
Furniture, Fixtures and Equipment	1,373,472	66,732	27,533	1,412,671
Vehicles	899,529	57,190	0	956,719
Construction In Progress	0	3,862,746		3,862,746
Totals	<u>\$4,190,353</u>	<u>\$3,986,668</u>	<u>\$27,622</u>	8,149,399
Less Accumulated Depreciation				(2,731,384)
Net General Fixed Assets				<u>\$5,418,015</u>

9. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for fleet insurance, liability insurance, and inland marine coverage, and with Indiana Insurance Company for property insurance. Coverages provided by the insurance companies are as follows:

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. RISK MANAGEMENT (Continued)

General Liability	
Per occurrence	1,000,000
Total per year	5,000,000
Builders Risk Insurance (\$1,000 deductible)	17,317,688

Settled claims have not exceeded this commercial coverage in any of the past three years. The District has added Builders Risk Insurance coverage during construction of their new facility.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The School District is a member the Ross County School Employees Insurance Consortium, a claims servicing pool, consisting of eighteen school districts within Ross County and its surrounding area, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf. The claims liability of \$99,260 reported in the internal service fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported.

The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$26,733	\$413,698	\$375,093	\$65,338
2000	65,338	362,815	328,893	99,260

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2000, 5.5 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$40,839, \$58,158 and \$92,666, respectively; 34 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$26,942 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$207,068, \$160,919 and \$334,724, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$32,529 represents the unpaid contribution for fiscal year 2000 and is recorded as a liability within the respective funds.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$276,090 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$78,194.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

12. EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 47 days for classified and certified employees.

B. Life Insurance

The School District provides life insurance to most employees through United States Life 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, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

13. CAPITAL LEASES - LESSEE DISCLOSURE

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

General fixed assets consisting of copiers and equipment have been capitalized in the general fixed assets account group in the amount of \$60,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2000 totaled \$10,379 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2000.

Fiscal Year Ending June 30,	GLTOAG
2001	\$14,364
2002	14,364
2003	14,364
2004	13,167
Total	56,259
Less: Amount Representing Interest	(7,469)
Present Value of Net Minimum Lease Payments	\$48,790

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Outstanding 6/30/99	Additions	Deductions	Outstanding 6/30/00
Pension Obligation	\$52,885	\$60,795	\$52,885	\$60,795
2000 School Improvement Bonds - 5.63%	0	2,878,000	128,000	2,750,000
Capital Lease Payable	59,169	0	10,379	48,790
Compensated Absences	479,731	12,268	0	491,999
Total General Long-Term Obligations	\$591,785	\$2,951,063	\$191,264	\$3,351,584

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

During the fiscal year the district issued general obligation bonds in the amount of \$2,878,000 to pay off existing short-term bond anticipation notes that were issued as a result of the School District being approved for a \$21,313,018 school facilities loan through the State Department of Education for the construction of an education complex. The 3.59% notes were retired on September 16, 1999. The

School District issued general obligation bonds to provide a partial cash match for the school facilities loan. As a requirement of the loans, the School District was required to pass a 4.3 mill levy. The 4.3 mill levy, of which .5 mill was to be used for maintenance, with the balance of 3.8 mills to be used for the retirement of the long-term bonds to be issued, will be in effect for twenty-three years.

The Adena Local School District has been notified by the Ohio School Facilities Commission that they will not be responsible for repaying the \$21,313,018 classroom facilities loan to the State because the School District's adjusted valuation per pupil (currently 577 out of 611 schools) was less than the state-wide median adjusted valuation per pupil. In lieu of the repayment, the School District must set aside the funds that would have been used for repayment for facilities maintenance. As part of this process, the School District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the School District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the School District may become responsible for repayment of a portion of the State's contribution. During the fiscal year, the School District received \$10,600,162 under this program, which is reported as revenue in the capital projects funds.

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

The School District's overall legal debt margin was \$3,035,438 with an unvoted debt margin of \$63,237 at June 30, 2000.

Principal and interest requirements to retire Classroom Facilities Bonds outstanding at June 30, 2000, are as follows:

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$70,000	\$147,845	\$217,845
2002	75,000	144,924	219,924
2003	75,000	141,755	216,755
2004	80,000	138,362	218,362
2005	85,000	134,649	219,649
2006-2010	480,000	608,185	1,088,185
2011-2015	625,000	461,317	1,086,317
2016-2020	850,000	238,000	1,088,000
2021-2023	<u>410,000</u>	<u>23,240</u>	<u>433,240</u>
Total	<u><u>\$2,750,000</u></u>	<u><u>\$2,038,277</u></u>	<u><u>\$4,788,277</u></u>

15. SHORT-TERM OBLIGATIONS

Changes in the School District's short-term obligations during fiscal year 2000 were as follows:

	<u>Outstanding 6/30/99</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/00</u>
School Improvement Bond Anticipation Note - 3.59%	<u>\$2,878,000</u>	<u>\$0</u>	<u>\$2,878,000</u>	<u>\$0</u>

16. SET-ASIDE CALCULATIONS

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

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. SET-ASIDE CALCULATIONS (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization
Set-aside Cash Reserve as of June 30, 1999	\$0	\$45,610	\$76,478
Current Year Set-aside Requirement	128,966	128,966	0
Current Year Offsets	(18,074)	0	0
Qualifying Disbursements	<u>(26,881)</u>	<u>(133,069)</u>	<u>0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u><u>\$84,011</u></u>	<u><u>\$41,507</u></u>	<u><u>\$76,478</u></u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$210,996.

17. JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Jackson Vinton, 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 of the participating counties, two representatives of the school treasurers, plus one representative from the fiscal agent. The School District paid SCOCA \$13,264 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Pickaway-Ross County Joint Vocational School

The Pickaway-Ross County Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of eleven representatives from the various City and County Boards within Pickaway and Ross Counties, each of which possesses its own budgeting and taxing authority. The School District paid \$3,102 for services provided during the year. To obtain financial information write to the Pickaway-Ross County Joint Vocational School, Ben Van Horn who serves as Treasurer, at 895 Crouse Chapel Road, Chillicothe, Ohio 45601.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Great Seal Education Network of Tomorrow

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

18. CLAIMS SERVICING AND INSURANCE PURCHASING POOLS

Ross County School Employees Insurance Consortium

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

19. SCHOOL FUNDING COURT DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's Aschool foundation program@, which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$3,644,576 of school foundation support for its general fund.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

19. SCHOOL FUNDING COURT DECISION (Continued)

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District is approved to receive a grant total of \$21,313,018 under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded "... the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997 decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

20. INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Receivables Interfund	Payables Interfund
General Fund	\$26,821	\$0
Special Revenue Funds:		
Extracurricular		409
Ohio Reads Grant	0	7,212
Summer Intervention	0	400
Total Special Revenue Funds	0	8,021
Capital Projects	0	18,800
Total All Funds	\$26,821	\$26,821

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

21. CONTRACTUAL COMMITMENTS

As of June 30, 2000, the School District had contractual purchase commitments for the construction of a new K-12 facility as follows:

Contractor	Contract Amount	Amount Expended	Balance at June 30, 2000
PSI	\$61,591	\$49,060	\$12,531
Monarch Construction Co.	10,614,800	1,337,729	9,277,071
Demmy Construction, Inc.	1,121,808	879,926	241,882
Custom Fabricators	586,279	0	586,279
Croson-Teepe Mechanical	3,127,650	144,864	2,982,786
A-1 Sprikler	202,685	11,120	191,565
Brush Contractors, Inc.	1,826,650	277,040	1,549,610
Fanning/Howey Associates, Inc.	1,388,770	1,163,007	225,763
Total	<u>\$18,930,233</u>	<u>\$3,862,746</u>	<u>\$15,067,487</u>

22. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

Federal Grantor/ Pass-Through Grantor/ Program Grant Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution (See Note "B")		10.550		\$ 13,735		\$ 16,845
National School Lunch Program	04-PU 99/00	10.555	\$63,449	-	\$63,449	-
Total U.S. Department of Agriculture			63,449	13,735	63,449	16,845
<u>U.S. Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Title I	C1-S1 99/00	84.010	268,934	-	243,573	-
Drug Free Federal Subsidy (See Note "C")	DR-S1 00	84.186	5,201	-	5,201	-
Eisenhower Professional Development (See Note "C")	MS-S1 99/00	84.281	7,580	-	7,580	-
Title VI	C2-S1 99/00	84.298	6,668	-	6,453	-
Title VI R	CR-S1-00	84.340	31,952	-	27,336	-
<i>Special Education Cluster:</i>						
Handicapped Pre-school (See Note "C")	PG-S1 00 P	84.173	2,321	-	2,321	-
Title VI B	6B-SF 99/00	84.027	62,652	-	56,209	-
<i>Total Special Education Cluster:</i>			64,973	-	58,530	-
Total Department of Education			385,308	-	348,673	-
Total Federal Assistance			\$448,757	\$ 13,735	\$412,122	\$16,845

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

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

NOTE C - ROSS COUNTY EDUCATIONAL SERVICE CENTER

Grant monies passed through the Ross County Educational Service Center (the Center) are disbursed by the Center on behalf of the District. Receipts and expenditures disclosed on the accompanying schedule of federal awards receipts and expenditures for these programs have not been reflected in the District's general purpose financial statements.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North 4th Street
Columbus, Ohio 43216
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the general-purpose financial statements of Adena Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 28, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to the District in a separate letter dated November 28, 2000.

Adena Local School District
Ross County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

JIM PETRO
Auditor of State

November 28, 2000



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OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North 4th Street
Columbus, Ohio 43216
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the compliance of Adena Local School District, Ross County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

**Internal Control Over Compliance
(Continued)**

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

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

JIM PETRO
Auditor of State

November 28, 2000

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2000**

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

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

None.

3. FINDINGS RELATED AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

ADENA LOCAL SCHOOL DISTRICT

ROSS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2000**