



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Adena Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and the cash flows of its Internal Service Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2002 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.

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

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JIM PETRO
Auditor of State

December 3, 2002

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Adena Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,916,536	\$232,680	\$124,235	\$1,156,929
Receivables:				
Taxes	1,451,765	31,193	203,752	0
Intergovernmental	0	6,227	0	0
Accrued Interest	1,948	0	0	0
Interfund Receivable	6,365	0	0	0
Prepaid Items	21,969	405	0	0
Materials and Supplies Inventory	31,048	5,204	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	143,435	0	0	0
Cash and Cash Equivalents With Escrow Agents	0	0	0	124,609
Fixed Assets (Net of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u><u>\$3,573,066</u></u>	<u><u>\$275,709</u></u>	<u><u>\$327,987</u></u>	<u><u>\$1,281,538</u></u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$32,259	\$26,807	\$0	\$0	\$3,489,446
0	0	0	0	1,686,710
0	0	0	0	6,227
0	0	0	0	1,948
0	0	0	0	6,365
0	0	0	0	22,374
0	0	0	0	36,252
0	0	0	0	143,435
0	0	0	0	124,609
0	0	25,992,016	0	25,992,016
0	0	0	140,142	140,142
0	0	0	3,124,760	3,124,760
<u>\$32,259</u>	<u>\$26,807</u>	<u>\$25,992,016</u>	<u>\$3,264,902</u>	<u>\$34,774,284</u>

(continued)

Adena Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$3,904	\$0	\$0	\$0
Contracts Payable	0	0	0	47,073
Accrued Wages and Benefits	583,239	65,962	0	0
Compensated Absences Payable	29,287	0	0	0
Retainage Payable	0	0	0	124,609
Interfund Payable	0	6,365	0	0
Intergovernmental Payable	131,020	10,146	0	250
Deferred Revenue	1,347,257	34,998	187,845	0
Undistributed Monies	0	0	0	0
Claims Payable	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	2,094,707	117,471	187,845	171,932
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved (Deficit)	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	215,214	8,058	0	590,858
Reserved for Property Taxes	106,456	2,422	15,907	0
Reserved for Budget Stabilization	34,401	0	0	0
Reserved for Textbooks	81,857	0	0	0
Reserved for Capital Acquisition	27,177	0	0	0
Unreserved:				
Undesignated	1,013,254	147,758	124,235	518,748
Total Fund Equity (Deficit) and Other Credits	1,478,359	158,238	140,142	1,109,606
Total Liabilities, Fund Equity and Other Credits	\$3,573,066	\$275,709	\$327,987	\$1,281,538

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$0	\$0	\$0	\$0	\$3,904
0	0	0	0	47,073
0	0	0	0	649,201
0	0	0	532,319	561,606
0	0	0	0	124,609
0	0	0	0	6,365
114,866	0	0	57,229	313,511
0	0	0	0	1,570,100
0	25,473	0	0	25,473
118,893	0	0	0	118,893
0	0	0	70,354	70,354
0	0	0	2,605,000	2,605,000
<u>233,759</u>	<u>25,473</u>	<u>0</u>	<u>3,264,902</u>	<u>6,096,089</u>
0	0	25,992,016	0	25,992,016
(201,500)	0	0	0	(201,500)
0	0	0	0	814,130
0	0	0	0	124,785
0	0	0	0	34,401
0	0	0	0	81,857
0	0	0	0	27,177
<u>0</u>	<u>1,334</u>	<u>0</u>	<u>0</u>	<u>1,805,329</u>
<u>(201,500)</u>	<u>1,334</u>	<u>25,992,016</u>	<u>0</u>	<u>28,678,195</u>
<u>\$32,259</u>	<u>\$26,807</u>	<u>\$25,992,016</u>	<u>\$3,264,902</u>	<u>\$34,774,284</u>

Adena Local School District
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
<u>Revenues:</u>						
Property Taxes	\$1,389,573	\$30,058	\$208,381	\$0	\$0	\$1,628,012
Intergovernmental	5,862,141	539,533	27,300	305,663	0	6,734,637
Interest	69,998	0	0	84,590	0	154,588
Tuition and Fees	22,273	0	0	0	0	22,273
Extracurricular Activities	47,984	116,812	0	0	0	164,796
Gifts and Donations	19,265	16,419	0	0	12,684	48,368
Customer Services	73	227,356	0	0	0	227,429
Miscellaneous	3,087	19,356	0	7,696	0	30,139
Total Revenues	7,414,394	949,534	235,681	397,949	12,684	9,010,242
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,352,055	95,334	0	0	0	3,447,389
Special	437,585	234,492	0	0	0	672,077
Vocational	937	0	0	0	0	937
Other	261,588	18,611	0	0	0	280,199
Support Services:						
Pupils	269,476	6,834	0	0	13,081	289,391
Instructional Staff	292,274	114,942	0	0	0	407,216
Board of Education	43,159	0	0	0	0	43,159
Administration	722,931	9,693	0	0	0	732,624
Fiscal	207,069	547	3,723	0	0	211,339
Operation and Maintenance of Plant	810,761	0	0	0	0	810,761
Pupil Transportation	536,620	0	0	0	0	536,620
Central	89,904	14,020	0	0	0	103,924
Non-Instructional Services	681	308,477	0	0	0	309,158
Extracurricular Activities	141,935	134,694	0	0	0	276,629
Capital Outlay	83,778	500	0	4,991,643	0	5,075,921
Debt Service:						
Principal Retirement	21,299	0	75,000	0	0	96,299
Interest and Fiscal Charges	6,000	0	144,924	0	0	150,924
Total Expenditures	7,278,052	938,144	223,647	4,991,643	13,081	13,444,567
Excess of Revenues Over (Under) Expenditures	136,342	11,390	12,034	(4,593,694)	(397)	(4,434,325)
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	75,036	0	0	0	0	75,036
Inception of Capital Lease	0	0	0	0	0	0
Operating Transfers - In	0	14,213	0	0	0	14,213
Operating Transfers - Out	(14,213)	0	0	0	0	(14,213)
Total Other Financing Sources (Uses)	60,823	14,213	0	0	0	75,036
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	197,165	25,603	12,034	(4,593,694)	(397)	(4,359,289)
Fund Balances at Beginning of Year	1,281,194	132,635	128,108	5,703,300	1,731	7,246,968
Fund Balances at End of Year	\$1,478,359	\$158,238	\$140,142	\$1,109,606	\$1,334	\$2,887,679

See accompanying notes to the general purpose financial statements

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Adena Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$1,371,389	\$1,371,389	\$0	\$29,809	\$29,809	\$0
Intergovernmental	5,862,141	5,862,141	0	555,610	555,610	0
Interest	69,928	69,928	0	0	0	0
Tuition and Fees	22,273	22,273	0	0	0	0
Extracurricular Activities	47,984	47,984	0	116,812	116,812	0
Gifts and Donations	7,015	7,015	0	16,419	16,419	0
Customer Services	73	73	0	227,356	227,356	0
Miscellaneous	3,087	3,087	0	19,356	19,356	0
Total Revenues	<u>7,383,890</u>	<u>7,383,890</u>	<u>0</u>	<u>965,362</u>	<u>965,362</u>	<u>0</u>
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	3,372,422	3,308,943	63,479	122,786	97,728	25,058
Special	448,170	433,094	15,076	248,601	234,932	13,669
Vocational	1,118	1,023	95	0	0	0
Other	322,355	315,941	6,414	25,085	18,611	6,474
Support Services:						
Pupils	276,771	265,599	11,172	6,861	6,861	0
Instructional Staff	333,583	299,050	34,533	143,965	118,255	25,710
Board of Education	77,493	58,686	18,807	0	0	0
Administration	752,703	731,951	20,752	11,746	9,741	2,005
Fiscal	255,639	224,591	31,048	600	547	53
Operation and Maintenance of Plant	926,635	863,954	62,681	0	0	0
Pupil Transportation	669,121	636,295	32,826	0	0	0
Central	104,848	75,444	29,404	14,020	14,020	0
Non-Instructional Services	830	755	75	308,486	308,486	0
Extracurricular Activities	143,446	141,852	1,594	142,547	140,594	1,953
Capital Outlay	88,778	83,778	5,000	500	500	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>7,773,912</u>	<u>7,440,956</u>	<u>332,956</u>	<u>1,025,197</u>	<u>950,275</u>	<u>74,922</u>
Excess of Revenues Over (Under) Expenditures	<u>(390,022)</u>	<u>(57,066)</u>	<u>332,956</u>	<u>(59,835)</u>	<u>15,087</u>	<u>74,922</u>
<u>Other Financing Sources (Uses):</u>						
Proceeds from Sale of Fixed Assets	75,036	75,036	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Advances - In	18,800	18,800	0	6,365	6,365	0
Advances - Out	(6,365)	(6,365)	0	0	0	0
Operating Transfers - In	0	0	0	14,213	14,213	0
Operating Transfers - Out	(23,634)	(14,213)	9,421	0	0	0
Total Other Financing Sources (Uses)	<u>63,837</u>	<u>73,258</u>	<u>9,421</u>	<u>20,578</u>	<u>20,578</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(326,185)</u>	<u>16,192</u>	<u>342,377</u>	<u>(39,257)</u>	<u>35,665</u>	<u>74,922</u>
Fund Balances at Beginning of Year	1,542,438	1,542,438	0	184,968	184,968	0
Prior Year Encumbrances Appropriated	281,863	281,863	0	3,988	3,988	0
Fund Balances at End of Year	<u>\$1,498,116</u>	<u>\$1,840,493</u>	<u>\$342,377</u>	<u>\$149,699</u>	<u>\$224,621</u>	<u>\$74,922</u>

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$208,987	\$208,987	\$0	\$0	\$0	\$0	\$0	\$0	\$0
27,300	27,300	0	331,834	331,834	0	0	0	0
0	0	0	84,590	84,590	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	12,684	12,684	0
0	0	0	0	0	0	0	0	0
0	0	0	75	75	0	0	0	0
<u>236,287</u>	<u>236,287</u>	<u>0</u>	<u>416,499</u>	<u>416,499</u>	<u>0</u>	<u>12,684</u>	<u>12,684</u>	<u>0</u>
0	0	0	228,112	199,206	28,906	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	0	0	1,233	983	250	0	0	0
0	0	0	17,464	15,368	2,096	13,731	13,081	650
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0
4,122	3,723	399	0	0	0	0	0	0
0	0	0	1,745	1,745	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
0	0	0	0	0	0	0	0	0
0	0	0	6,825,497	6,825,497	0	0	0	0
75,000	75,000	0	0	0	0	0	0	0
144,924	144,924	0	0	0	0	0	0	0
<u>224,046</u>	<u>223,647</u>	<u>399</u>	<u>7,074,051</u>	<u>7,042,799</u>	<u>31,252</u>	<u>13,731</u>	<u>13,081</u>	<u>650</u>
<u>12,241</u>	<u>12,640</u>	<u>399</u>	<u>(6,657,552)</u>	<u>(6,626,300)</u>	<u>31,252</u>	<u>(1,047)</u>	<u>(397)</u>	<u>650</u>
0	0	0	0	0	0	0	0	0
0	0	0	7,620	7,620	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	0	0	0
0	0	0	0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(11,180)</u>	<u>(11,180)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
12,241	12,640	399	(6,668,732)	(6,637,480)	31,252	(1,047)	(397)	650
111,595	111,595	0	4,308,551	4,308,551	0	731	731	0
0	0	0	2,972,536	2,972,536	0	1,000	1,000	0
<u>\$123,836</u>	<u>\$124,235</u>	<u>\$399</u>	<u>\$612,355</u>	<u>\$643,607</u>	<u>\$31,252</u>	<u>\$684</u>	<u>\$1,334</u>	<u>\$650</u>

Adena Local School District
Statement of Revenues,
Expenses and Changes in Accumulated Deficit
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

	Self- Insurance
<u>Operating Revenues:</u>	
Charges for Services	\$749,737
<u>Operating Expenses:</u>	
Purchased Services	90,746
Claims	626,178
Total Operating Expenses	716,924
Net Income	32,813
(Accumulated Deficit) at Beginning of Year	(234,313)
(Accumulated Deficit) at End of Year	(\$201,500)

See accompanying notes to the general purpose financial statements

Adena Local School District
Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

	Self-Insurance		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$87,885	\$87,885	\$0
<u>Expenses:</u>			
Purchased Services	69,144	64,835	4,309
Excess of Revenues Over Expenses	18,741	23,050	4,309
Fund Equity at Beginning of Year	3,150	3,150	0
Prior Year Encumbrances Appropriated	5,394	5,394	0
Fund Equity at End of Year	<u>\$27,285</u>	<u>\$31,594</u>	<u>\$4,309</u>

See accompanying notes to the general purpose financial statements

ADENA LOCAL SCHOOL DISTRICT
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2002

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Self-Insurance

Cash Received from Quasi-External Transactions with Other Funds	\$749,737
Cash Payments for Services	(90,746)
Cash Payments for Claims	<u>(617,302)</u>
Net Cash Provided by Operating Activities	<u>41,689</u>
<u>Cash Flows from Noncapital Financing Activities:</u>	
Short-term Borrowing From Another Government	114,866
Payments Made to Other Governments	<u>(132,840)</u>
Net Cash Used For Noncapital Financing Activities	<u>(17,974)</u>
Net Increase in Cash and Cash Equivalents	23,715
Cash and Cash Equivalents at Beginning of Year	<u>8,544</u>
Cash and Cash Equivalents at End of Year	<u><u>\$32,259</u></u>

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities:

Operating Income	\$32,813
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Adjustments to Reconcile Operating Income to

Net Cash Provided by Operating Activities:

Changes in Assets and Liabilities:	
Increase in Claims Payable	<u>8,876</u>
Net Cash Provided by Operating Activities	<u><u>\$41,689</u></u>

See accompanying notes to the general purpose financial statements

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 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 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 51 non-certificated employees, 79 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,303 students and other community members. The School District currently operates one instructional building.

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

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

The School District participates in three organizations which are defined as jointly governed organizations. These organizations are the South Central Ohio Computer Association, the Pickaway-Ross County Joint Vocational School, and the Great Seal Education Network of Tomorrow. The School District also participates in the Ross County School Employees Insurance Consortium, a claims servicing pool, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, an insurance purchasing pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

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

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

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

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition 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 only 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 agency funds and an expendable trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The expendable trust fund is accounted for in essentially the same manner as governmental funds.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 the expendable trust fund 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 these funds are 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. The full accrual basis of accounting is followed for the proprietary fund.

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

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported 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 governmental funds.

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

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, by fund, cannot exceed estimated resources, as certified.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

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 amended certificate in effect at the time the final appropriations were passed.

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. 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 total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds other than agency funds and the medical portion of the self-insurance fund, at the function level, 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 combined balance sheet.

Retainage held until the completion of major construction projects is held in separate bank accounts. Retainage accounts held at June 30, 2002 are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agents" on the combined balance sheet.

During fiscal year 2002, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), and money market mutual funds. Investments are reported at fair value which is based on quoted market prices.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2002.

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 2002 amounted to \$69,998 which includes \$17,785 assigned from other School District funds.

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 and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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 is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

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

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings	50 years
Improvements other than buildings	7 - 30 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	7 - 8 years

H. Interfund Assets/Liabilities

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

I. Compensated Absences

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

The School District records a liability for accumulated unused 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.

J. 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.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$114,866 held with the fiscal agent at June 30, 2002 is shown as an "Intergovernmental Payable" on the combined balance sheet.

K. 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.

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent unexpended amounts required by statute to be set aside by the School District for the creation of a reserve for budget stabilization, the purchase of textbooks, and for the acquisition or construction of capital assets. See Note 15 for additional information regarding set-asides. Cash is also restricted for amounts held in escrow accounts for payment of retainage on construction contracts.

M. 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 have been established for encumbrances, property taxes, budget stabilization, textbooks, and capital acquisitions.

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 is money required to be set-aside by State statute to protect against cyclical changes in revenues and expenditures.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY

At June 30, 2002, the DPIA, Ohio Reads and Summer Intervention Special Revenue Funds have deficit fund balances of \$76, \$97, and \$1,262, 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 \$201,500 at June 30, 2002, 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. The deficit is the result of unfunded claims. The District has borrowed \$114,866 to pay these claims.

NOTE 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:

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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.

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$197,165	\$25,603	\$12,034	(\$4,593,694)	(\$397)
Revenue Accruals	23,524	15,827	606	26,170	0
Expenditure Accruals	56,504	(4,071)	0	(1,413,225)	0
Inception of					
Capital Lease	(54,028)	0	0	0	0
Advances	12,435	6,365	0	(18,800)	0
Encumbrances	(219,408)	(8,059)	0	(637,931)	0
Budget Basis	<u>\$16,192</u>	<u>\$35,665</u>	<u>\$12,640</u>	<u>(\$6,637,480)</u>	<u>(\$397)</u>

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income/Excess of Revenues Over Expenses Internal Service Fund	
GAAP Basis	\$32,813
Expenditure Accruals	8,876
Encumbrances	(665)
Excess of Revenues Under Expenses for Non-Budgeted Activity	<u>(17,974)</u>
Budget Basis	<u><u>\$23,050</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim 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 the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure 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;

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$427,242 and the bank balance was \$886,765. Of the bank balance, \$200,000 was covered by federal depository insurance and \$686,765 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Carrying/ Fair Value
Star Ohio	\$2,772,132
Money Market Mutual Funds	558,116
Totals	\$3,330,248

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 cash equivalents 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	\$3,757,490	\$0
Investments		
STAR Ohio	(2,772,132)	2,772,132
Money Market Mutual Funds	(558,116)	558,116
GASB Statement No. 3	\$427,242	\$3,330,248

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half 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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. 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.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,091,240	89.64%	\$66,739,880	91.52%
Public Utility	4,945,040	7.50%	4,555,000	6.25%
Tangible Personal Property	1,884,570	2.86%	1,628,470	2.23%
Total Assessed Value	<u>\$65,920,850</u>	<u>100.00%</u>	<u>\$72,923,350</u>	<u>100.00%</u>

Tax rate per \$1000 of assessed valuation	\$38.10	\$37.30
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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, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue. The amount available as an advance at June 30, 2002, was \$106,456, \$2,422, and \$15,907 in the General Fund, Classroom Facilities Maintenance Special Revenue Fund and Debt Service Fund, respectively.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, intergovernmental grants, interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of intergovernmental receivables follows:

	<u>Amounts</u>
Special Revenue:	
Title II	\$1,787
Title VI-B	1,440
Title VI-R	3,000
Total Intergovernmental Receivable	\$6,227

NOTE 8 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Land Improvements	\$827,774	\$2,811,187	\$311,516	\$3,327,445
Building and Building Improvements	1,089,489	21,059,887	1,058,908	21,090,468
Furniture, Fixtures and Equipment	1,504,745	1,721,539	720,585	2,505,699
Vehicles	686,646	54,904	0	741,550
Construction in Progress	17,813,967	0	17,813,967	0
Total	\$21,922,621	\$25,647,517	\$19,904,976	27,665,162
Less: Accumulated Depreciation				(1,673,146)
Net General Fixed Assets				\$25,992,016

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002 the School District contracted with Nationwide Insurance for fleet insurance, liability insurance, and inland marine coverage, and with Indiana Insurance Company for property insurance. Coverage provided by the insurance companies are as follows:

Building and Contents-replacement cost (\$250 deductible)	\$23,281,929
Inland Marine Coverage	
Athletics (\$50 deductible)	18,500
Video Equipment (\$100 deductible)	4,520
Band Equipment (\$100 deductible)	128,810
EDP Equipment (\$250 deductible)	583,830
Boiler and Machinery (\$1,000 deductible)	19,592,282
Crime Insurance	
Frankfort Schools	5,000
Clarksburg Schools	5,000
Automobile Liability-Comprehensive	3,000,000
Uninsured Motorists (\$500 deductible)	
Each Person	350,000
Each Accident	350,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The only significant reduction in coverage from last year was the cancellation of builders' risk insurance due to the completion of the new facility.

For fiscal year 2002 the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement 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.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT (continued)

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 (see Note 17), consisting of sixteen 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 \$118,893 reported in the internal service fund at June 30, 2002, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 30 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 adjustment 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
2001	\$99,260	\$685,105	\$674,348	\$110,017
2002	110,017	626,178	617,302	118,893

NOTE 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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$49,558, \$37,730, and \$40,839, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$24,714 representing the unpaid contribution for fiscal year 2002, 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, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 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, 2002, 2001, and 2000 were \$308,601, \$373,229, and \$207,068, respectively; 81 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$60,135 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002 three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$146,180 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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 2002 fiscal year equaled \$122,995.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits 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.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

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

General fixed assets consisting of copiers and equipment have been capitalized in the general fixed assets account group in the amount of \$114,028. 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 2002 totaled \$21,299 in the general fund. The carrying value of the leased equipment is \$67,222.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30	GLTDAG
2003	\$27,299
2004	26,101
2005	12,934
2006	12,934
Total	79,268
Less: Amount Representing Interest	(8,914)
Present Value of Minimum Lease Payments	\$70,354

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding 6/30/2001	Additions	Deduction	Outstanding 6/30/2002
1999 School Improvement Bonds				
5.36%	\$2,680,000	\$0	\$75,000	\$2,605,000
Compensated Absences Payable	488,269	44,050	0	532,319
Pension Obligation	64,535	57,229	64,535	57,229
Capital Lease Payable	37,625	54,028	21,299	70,354
Total General Long-Term Obligations	\$3,270,429	\$155,307	\$160,834	\$3,264,902

1999 School Improvement Bonds - In fiscal year 2000, the School District issued \$2,878,000 in voted general obligation bonds for the purpose of the construction of a new education complex. The bonds were issued for a twenty-three year period with final maturity at December 1, 2021. The bonds will be retired from the debt service fund.

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 \$4,098,244 with an unvoted debt margin of \$72,923 at June 30, 2002.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the School Improvement Bonds outstanding at June 30, 2002, are as follows:

Fiscal Year			
<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$75,000	\$141,755	\$216,755
2004	80,000	138,362	218,362
2005	85,000	134,649	219,649
2006	90,000	130,623	220,623
2007	90,000	126,392	216,392
2008-2012	530,000	558,313	1,088,313
2013-2017	705,000	377,645	1,082,645
2018-2022	950,000	137,770	1,087,770
Total	<u>\$2,605,000</u>	<u>\$1,745,509</u>	<u>\$4,350,509</u>

NOTE 15 - SET-ASIDE CALCULATIONS

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

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refunds received from the Bureau of Workers' Compensation, which must be retained for budget stabilization.

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

	<u>Budget</u>		<u>Capital</u>
	<u>Stabilization</u>	<u>Textbooks</u>	<u>Acquisition</u>
Set-aside Cash Reserve as of June 30, 2001	\$34,401	\$85,041	\$25,468
Current Year Set-aside Requirement	0	139,726	139,726
Current Year Offsets	0	0	34,265
Qualifying Disbursements	0	142,910	103,752
Set-aside Balance Carried Forward to			
Future Fiscal Years	<u>\$34,401</u>	<u>\$81,857</u>	<u>\$27,177</u>

The total reserve balance for the three set-asides at the end of the fiscal year was \$143,435.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 16 - 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 county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$38,414 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 \$5,280 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.

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.

NOTE 17 - 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 sixteen 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, Scott Glandon, who serves as Treasurer, at 19463 Pherson Pike, Williamsport, Ohio 43164.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 17 - CLAIMS SERVICING AND INSURANCE PURCHASING POOLS (continued)

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.

NOTE 18 – RESTATEMENT OF ACCOUNT GROUP BALANCES

Due to an appraisal for fiscal year 2002, beginning fixed assets were restated in the general fixed assets account group. The immaterial change in reporting had the following effect on the account group balance as previously reported as of June 30, 2001.

Fund/Type	Balance June 30, 2001	Adjustments	Restated Balance July 1, 2001
General Fixed Assets			
Account Group	\$22,386,311	(\$463,690)	\$21,922,621

NOTE 19 - INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivable	Interfund Payable
General	\$6,365	\$0
<u>Special Revenue Funds:</u>		
District Managed Funds	0	2,505
Summer Intervention	0	1,262
Title VI	0	2,598
Total Special Revenue Funds	0	6,365
Total All Funds	\$6,365	\$6,365

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 20 - CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual purchase commitments remaining for the construction of a new K-12 facility as follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at June 30, 2002</u>
Smoot Construction	\$1,254,327	\$1,160,820	\$93,507
Romanoff Technology	244,601	241,601	3,000
Brush Contractors, Inc.	2,130,613	2,091,043	39,570
Ohio Technical Sevices	22,728	0	22,728
AHC Environmental Services	17,900	0	17,900
Colvin Gravel Company	320,671	0	320,671
LEPI Inc.	22,525	0	22,525
Farnham Equipment Co.	141,200	126,953	14,247
Louis Polster Co	432,528	423,140	9,388
Detillion Landscaping	640,446	638,410	2,036
Fanning/Howey Associates, Inc.	1,485,159	1,469,992	15,167
Total	<u>\$6,712,698</u>	<u>\$6,151,959</u>	<u>\$560,739</u>

NOTE 21 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

Adena Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 21 – STATE SCHOOL FUNDING DECISION (continued)

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

NOTE 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, 2002.

B. Litigation

The School District is not aware of any legal proceedings.

NOTE 23 – SUBSEQUENT EVENT

On July 1, 2002, the Ross County School Employees Insurance Consortium changed their third party administrator from Professional Risk Management Company to Klais and Company.

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**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program (See Note "B")	05-PU-2002	10.550	\$0	\$16,040	\$0	\$15,561
National School Lunch Program	03,04-PU-2002	10.555	63,732	0	63,732	0
Total U.S. Department of Agriculture - Nutrition Cluster			63,732	16,040	63,732	15,561
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 01P	84.027	87,314	0	78,334	0
Total Special Education Cluster			87,314	0	78,334	0
Eisenhower Professional Development State Grants Title II, Part B	MS-S1-2001/2002	84.281	8,433	0	8,079	0
Title VI R Class Size Reduction	CR-S1-2001/2002	84.340	58,230	0	56,288	0
Title I, Part A, ESEA	C1-S1-2001/2002	84.010	246,119	0	232,709	0
Innovative Educational Program Strategies	C2-S1-2001/2002	84.298	3,741	0	6,795	0
Safe and Drug Free Schools	DR-S1-2002	84.186	4,811	0	4,811	0
Goals 2000- State and Local Education System Improvement Grants	G2-S1-2001	84.276	0	0	14,000	0
Technology Literacy Challenge Fund Grants		84.318	9,000	0	9,000	0
Total U.S Department of Education			417,648	0	410,016	0
Total Federal Awards Receipts and Disbursements			\$481,380	\$16,040	\$473,748	\$15,561

The accompanying notes to this schedule are an integral part of this schedule.

**ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

We have audited the financial statements of the Adena Local School District, Ross County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 3, 2002.. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

This report is intended for the information and use of the finance committee, management, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 3, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

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 is applicable its major federal program for the year ended June 30, 2002. 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Adena Local School District, Ross County, Ohio, 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, 2002.

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.

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. We noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 3, 2002.

This report is intended for the information and use of the finance committee, management, 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

December 3, 2002

ADENA LOCAL SCHOOL DISTRICT
ROSS COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



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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
JANUARY 9, 2003**