



**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Jonathan Alder Local School District
Madison County
6440 Kilbury-Huber Road
Plain City, Ohio 43064

To the Board of Education:

We have audited the accompanying general purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2001, 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 Jonathan Alder Local School District, Madison County, Ohio, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 November 14, 2001 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.

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

JIM PETRO
Auditor of State

November 14, 2001

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**Jonathan Alder Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals |
|---|-------------------------|--------------------|---------------------|-----------------|---------------------|-------------------------|---------------------------|----------------------|
| | General | Special Revenue | Capital Projects | Enterprise | Trust and Agency | General Fixed Assets | General Long Term Debt | (Memorandum Only) |
| Assets and Other Debits: | | | | | | | | |
| Equity in Pooled cash and Investments | 1,596,296 | 191,711 | 55,764 | 19,842 | 24,900 | 0 | 0 | 1,888,513 |
| Restricted Cash | 44,799 | 0 | 0 | 0 | 0 | 0 | 0 | 44,799 |
| Taxes Receivables | 3,787,765 | 0 | 286,321 | 0 | 0 | 0 | 0 | 4,074,086 |
| Accounts Receivables | 9,446 | 4,442 | 0 | 0 | 0 | 0 | 0 | 13,888 |
| Intergovernmental Receivables | 55,000 | 8,845 | 0 | 11,243 | 0 | 0 | 0 | 75,088 |
| Inventory for Resale | 0 | 0 | 0 | 9,191 | 0 | 0 | 0 | 9,191 |
| Inventory | 0 | 0 | 0 | 1,040 | 0 | 0 | 0 | 1,040 |
| Prepaid Expenses | 20,025 | 0 | 0 | 0 | 0 | 0 | 0 | 20,025 |
| Property, Plant, and Equipment - Net of Depreciation | 0 | 0 | 0 | 13,520 | 0 | 15,868,924 | 0 | 15,882,444 |
| Amount to be Provided for Retirement of General Long Term Debt | 0 | 0 | 0 | 0 | 0 | 0 | 650,742 | 650,742 |
| Total Assets and Other Debits | \$5,513,331 | \$204,998 | \$342,085 | \$54,836 | \$24,900 | \$15,868,924 | \$650,742 | \$22,659,816 |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Jonathan Alder Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

| | Governmental Fund Types | | | Proprietary | Fiduciary | Account Groups | | Totals |
|--|-------------------------|-------------------|-------------------|--------------------------|------------------|----------------------|------------------------|----------------------|
| | General | Special Revenue | Capital Projects | Fund Types Enterprise | Trust and Agency | General Fixed Assets | General Long Term Debt | (Memorandum Only) |
| Liabilities: | | | | | | | | |
| Accounts Payable | 18,659 | 2,376 | 800 | 0 | 0 | 0 | 0 | 21,835 |
| Intergovernmental Payables | 155,279 | 250 | 0 | 13,982 | 0 | 0 | 70,970 | 240,481 |
| Accrued Salaries and Benefits | 798,056 | 23,350 | 0 | 32,781 | 0 | 0 | 0 | 854,187 |
| Deferred Revenue | 2,709,439 | 0 | 202,605 | 6,554 | 0 | 0 | 0 | 2,918,598 |
| Due to Students | 0 | 0 | 0 | 0 | 24,900 | 0 | 0 | 24,900 |
| General Obligation Notes Payable | 0 | 0 | 0 | 0 | 0 | 0 | 3,328 | 3,328 |
| Compensated Absences Payable | 52,473 | 0 | 0 | 16,450 | 0 | 0 | 576,444 | 645,367 |
| Total Liabilities | 3,733,906 | 25,976 | 203,405 | 69,767 | 24,900 | 0 | 650,742 | 4,708,696 |
| Fund Equity and Other Credits: | | | | | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 | 0 | 15,868,924 | 0 | 15,868,924 |
| Contributed Capital | 0 | 0 | 0 | 39,978 | 0 | 0 | 0 | 39,978 |
| Retained Earnings | 0 | 0 | 0 | (54,909) | 0 | 0 | 0 | (54,909) |
| Fund Balances: | | | | | | | | |
| Reserved for Property Taxes | 1,054,275 | 0 | 82,185 | 0 | 0 | 0 | 0 | 1,136,460 |
| Reserved for Encumbrances | 21,196 | 37,889 | 32,172 | 0 | 0 | 0 | 0 | 91,257 |
| Designated for Budget Stabilization | 44,799 | 0 | 0 | 0 | 0 | 0 | 0 | 44,799 |
| Unreserved Fund Balance | 659,155 | 141,133 | 24,323 | 0 | 0 | 0 | 0 | 824,611 |
| Total Fund Balances | 1,779,425 | 179,022 | 138,680 | 0 | 0 | 0 | 0 | 2,097,127 |
| Total Fund Balances/Retained Earnings and Other Credits | 1,779,425 | 179,022 | 138,680 | (14,931) | 0 | 15,868,924 | 0 | 17,951,120 |
| Total Liabilities, Fund Equity, and Other Credits | \$ 5,513,331 | \$ 204,998 | \$ 342,085 | \$ 54,836 | \$ 24,900 | \$ 15,868,924 | \$ 650,742 | \$ 22,659,816 |

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2001

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| REVENUES: | | | | |
| Revenue from Local Sources: | | | | |
| Taxes | 3,792,653 | 0 | 285,334 | 4,077,987 |
| Rent | 7,751 | 0 | 0 | 7,751 |
| Earnings on Investments | 102,971 | 0 | 0 | 102,971 |
| Extracurricular Activities | 0 | 240,113 | 0 | 240,113 |
| Classroom Materials & Fees | 98,224 | 0 | 0 | 98,224 |
| Miscellaneous | 74,392 | 9,711 | 0 | 84,103 |
| Intergovernmental | 5,337,593 | 386,228 | 120,530 | 5,844,351 |
| Total Revenues | 9,413,584 | 636,052 | 405,864 | 10,455,500 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular Instruction | 4,330,429 | 87,616 | 0 | 4,418,045 |
| Special Instruction | 337,628 | 210,225 | 0 | 547,853 |
| Vocational Instruction/Other | 93,559 | 0 | 0 | 93,559 |
| Supporting Services | | | | |
| Supporting Services - Pupils | 562,348 | 184,605 | 0 | 746,953 |
| Supporting Services - Instructional Staff | 98,933 | 23,879 | 68,750 | 191,562 |
| Supporting Services - Board of Education | 36,136 | 0 | 0 | 36,136 |
| Administration | 852,224 | 3,347 | 0 | 855,571 |
| Fiscal Services | 897,172 | 0 | 6,203 | 903,375 |
| Business Services | 4,429 | 0 | 0 | 4,429 |
| Operation & Maintenance - Plant | 793,129 | 0 | 0 | 793,129 |
| Pupil Transportation | 844,014 | 467 | 0 | 844,481 |
| Central | 0 | 17,725 | 0 | 17,725 |
| Operation of Non-Instructional Services | | | | |
| Extracurricular Activities | 152,352 | 102,252 | 0 | 254,604 |
| Capital Outlay | 0 | 0 | 604,924 | 604,924 |
| Debt Service | | | | |
| Debt Service - Principal | 8,007 | 0 | 0 | 8,007 |
| Total Expenditures | 9,010,360 | 630,116 | 679,877 | 10,320,353 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 403,224 | 5,936 | (274,013) | 135,147 |
| Other Financing Sources and Uses: | | | | |
| Other Receipts | 0 | 24,481 | 1,000 | 25,481 |
| Transfers In | 0 | 0 | 288,096 | 288,096 |
| Transfers Out | (288,096) | 0 | 0 | (288,096) |
| Net Other Financing Sources and Uses | (288,096) | 24,481 | 289,096 | 25,481 |
| Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursements and Other Uses | 115,128 | 30,417 | 15,083 | 160,628 |
| Beginning Fund Balance | 1,664,297 | 148,605 | 123,597 | 1,936,499 |
| Ending Fund Balance | \$ 1,779,425 | \$ 179,022 | \$ 138,680 | \$ 2,097,127 |

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2001

| | General Fund | | | Special Revenue Funds | | |
|---|--------------------|--------------------|--|-----------------------|-------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | | | | |
| Revenue from Local Sources: | | | | | | |
| Taxes | 3,732,000 | 3,756,303 | 24,303 | 0 | 0 | 0 |
| Rent | 2,000 | 7,751 | 5,751 | 0 | 0 | 0 |
| Earnings on Investments | 80,000 | 102,971 | 22,971 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 221,300 | 236,427 | 15,127 |
| Classroom Materials & Fees | 84,000 | 96,961 | 12,961 | 0 | 0 | 0 |
| Miscellaneous | 10,000 | 74,392 | 64,392 | 15,000 | 9,711 | (5,289) |
| Intergovernmental | <u>5,208,250</u> | <u>5,282,593</u> | <u>74,343</u> | <u>413,673</u> | <u>415,651</u> | <u>1,978</u> |
| Total Revenues | <u>9,116,250</u> | <u>9,320,971</u> | <u>204,721</u> | <u>649,973</u> | <u>661,789</u> | <u>11,816</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Instruction | | | | | | |
| Regular Instruction | 4,391,560 | 4,290,253 | 101,307 | 101,488 | 94,115 | 7,373 |
| Special Instruction | 412,434 | 342,274 | 70,160 | 255,834 | 238,978 | 16,856 |
| Vocational Instruction/Other | 102,110 | 93,008 | 9,102 | 0 | 0 | 0 |
| Supporting Services | | | | | | |
| Supporting Services - Pupils | 559,212 | 558,227 | 985 | 223,543 | 189,489 | 34,054 |
| Supporting Services - Instructional Staff | 108,602 | 98,881 | 9,721 | 41,123 | 23,959 | 17,164 |
| Supporting Services - Board of Education | 67,007 | 37,422 | 29,585 | 0 | 0 | 0 |
| Administration | 864,350 | 800,626 | 63,724 | 1,825 | 3,347 | (1,522) |
| Fiscal Services | 944,463 | 922,773 | 21,690 | 0 | 0 | 0 |
| Business Services | 5,000 | 4,429 | 571 | 0 | 0 | 0 |
| Operation & Maintenance - Plant | 827,377 | 788,384 | 38,993 | 0 | 0 | 0 |
| Pupil Transportation | 861,838 | 854,724 | 7,114 | 300 | 467 | (167) |
| Central | 0 | 0 | 0 | 26,939 | 17,725 | 9,214 |
| Operation of Non-Instructional Services | | | | | | |
| Extracurricular Activities | 160,310 | 151,396 | 8,914 | 109,275 | 109,330 | (55) |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service | | | | | | |
| Debt Service - Principal | <u>7,987</u> | <u>8,007</u> | <u>(20)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Expenditures | <u>9,312,250</u> | <u>8,950,404</u> | <u>361,846</u> | <u>760,327</u> | <u>677,410</u> | <u>82,917</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (196,000) | 370,567 | 566,567 | (110,354) | (15,621) | 94,733 |
| Other Financing Sources and Uses: | | | | | | |
| Other Receipts | 0 | 0 | 0 | 24,643 | 24,481 | (162) |
| Transfers In | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | <u>(288,096)</u> | <u>(288,096)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Other Financing Sources and Uses | <u>(288,096)</u> | <u>(288,096)</u> | <u>0</u> | <u>24,643</u> | <u>24,481</u> | <u>(162)</u> |
| Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure | | | | | | |
| Disbursements and Other Uses | (484,096) | 82,471 | 566,567 | (85,711) | 8,860 | 94,571 |
| Prior Year Carryover Encumbrances | 44,162 | 44,162 | 0 | 27,889 | 27,889 | 0 |
| Beginning Fund Balance | <u>1,492,587</u> | <u>1,492,587</u> | <u>0</u> | <u>114,821</u> | <u>114,821</u> | <u>0</u> |
| Ending Fund Balance | <u>\$1,052,653</u> | <u>\$1,619,220</u> | <u>\$566,567</u> | <u>\$ 56,999</u> | <u>\$ 151,570</u> | <u>\$ 94,571</u> |

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2001

| | Capital Projects Fund | | | Totals (Memorandum Only) | | |
|---|-----------------------|-----------------|--|--------------------------|---------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES: | | | | | | |
| Revenue from Local Sources: | | | | | | |
| Taxes | 280,500 | 282,892 | 2,392 | 4,012,500 | 4,039,195 | 26,695 |
| Rent | 0 | 0 | 0 | 2,000 | 7,751 | 5,751 |
| Earnings on Investments | 0 | 0 | 0 | 80,000 | 102,971 | 22,971 |
| Extracurricular Activities | 0 | 0 | 0 | 221,300 | 236,427 | 15,127 |
| Classroom Materials & Fees | 0 | 0 | 0 | 84,000 | 96,961 | 12,961 |
| Miscellaneous | 0 | 0 | 0 | 25,000 | 84,103 | 59,103 |
| Intergovernmental | <u>119,392</u> | <u>120,530</u> | <u>1,138</u> | <u>5,741,315</u> | <u>5,818,774</u> | <u>77,459</u> |
| Total Revenues | <u>399,892</u> | <u>403,422</u> | <u>3,530</u> | <u>10,166,115</u> | <u>10,386,182</u> | <u>220,067</u> |
| EXPENDITURES: | | | | | | |
| Current: | | | | | | |
| Instruction | | | | | | |
| Regular Instruction | 0 | 0 | 0 | 4,493,048 | 4,384,368 | 108,680 |
| Special Instruction | 0 | 0 | 0 | 668,268 | 581,252 | 87,016 |
| Vocational Instruction/Other | 0 | 0 | 0 | 102,110 | 93,008 | 9,102 |
| Supporting Services | | | | | | |
| Supporting Services - Pupils | 0 | 0 | 0 | 782,755 | 747,716 | 35,039 |
| Supporting Services - Instructional Staff | 79,500 | 68,750 | 10,750 | 229,225 | 191,590 | 37,635 |
| Supporting Services - Board of Education | 0 | 0 | 0 | 67,007 | 37,422 | 29,585 |
| Administration | 0 | 0 | 0 | 866,175 | 803,973 | 62,202 |
| Fiscal Services | 6,204 | 6,204 | 0 | 950,667 | 928,977 | 21,690 |
| Business Services | 0 | 0 | 0 | 5,000 | 4,429 | 571 |
| Operation & Maintenance - Plant | 0 | 0 | 0 | 827,377 | 788,384 | 38,993 |
| Pupil Transportation | 0 | 0 | 0 | 862,138 | 855,191 | 6,947 |
| Central | 0 | 0 | 0 | 26,939 | 17,725 | 9,214 |
| Operation of Non-Instructional Services | | | | | | |
| Extracurricular Activities | 0 | 0 | 0 | 269,585 | 260,726 | 8,859 |
| Capital Outlay | 637,702 | 637,702 | 0 | 637,702 | 637,702 | 0 |
| Debt Service | | | | | | |
| Debt Service - Principal | <u>0</u> | <u>0</u> | <u>0</u> | <u>7,987</u> | <u>8,007</u> | <u>(20)</u> |
| Total Expenditures | <u>723,406</u> | <u>712,656</u> | <u>10,750</u> | <u>10,795,983</u> | <u>10,340,470</u> | <u>455,513</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (323,514) | (309,234) | 14,280 | (629,868) | 45,712 | 675,580 |
| Other Financing Sources and Uses: | | | | | | |
| Other Receipts | 1,000 | 1,000 | 0 | 25,643 | 25,481 | (162) |
| Transfers In | 350,000 | 288,096 | 61,904 | 350,000 | 288,096 | (61,904) |
| Transfers Out | <u>0</u> | <u>0</u> | <u>0</u> | <u>(288,096)</u> | <u>(288,096)</u> | <u>0</u> |
| Net Other Financing Sources and Uses | <u>351,000</u> | <u>289,096</u> | <u>61,904</u> | <u>87,547</u> | <u>25,481</u> | <u>(62,066)</u> |
| Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure | | | | | | |
| Disbursements and Other Uses | 27,486 | (20,138) | 76,184 | (542,321) | 71,193 | 613,514 |
| Prior Year Carryover Encumbrances | 22,474 | 22,474 | 0 | 94,525 | 94,525 | 0 |
| Beginning Fund Balance | <u>20,456</u> | <u>20,456</u> | <u>0</u> | <u>1,627,864</u> | <u>1,627,864</u> | <u>0</u> |
| Ending Fund Balance | <u>\$70,416</u> | <u>\$22,792</u> | <u>\$76,184</u> | <u>\$ 1,180,068</u> | <u>\$ 1,793,582</u> | <u>\$ 613,514</u> |

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
Year Ended June 30, 2001

| | <u>Enterprise Fund</u> |
|----------------------------------|----------------------------|
| Operating Revenues: | |
| Food Service | \$314,983 |
| Total Operating Revenues | <u>314,983</u> |
| Operating Expenses: | |
| Personal Services - Salary | 156,553 |
| Employee Benefits | 70,560 |
| Purchased Services | 178 |
| Supplies and Materials | 195,783 |
| Depreciation | 556 |
| Other Expenses | 1,081 |
| Total Operating Expenses | <u>424,711</u> |
| Operating Loss | (109,728) |
| Non-Operating Revenues: | |
| State and Federal Grants-In-Aid | 82,054 |
| Interest | 663 |
| Federal Donated Commodities | 22,602 |
| Total Non-Operating Revenues | <u>105,319</u> |
| Net Loss | (4,409) |
| Beginning Retained Earnings | <u>(50,500)</u> |
| Retained Earnings at End of Year | <u><u>(\$54,909)</u></u> |

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2001**

| | Enterprise Fund |
|--|--------------------|
| Cash Flows from Operating Activities: | |
| Operating Loss | (\$109,728) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Depreciation | 556 |
| Net Increase (Decrease) in Assets: | |
| Inventory | 87 |
| Inventory for Resale | 22,387 |
| Net Increase (Decrease) in Liabilities: | |
| Intergovernmental Payables | (2,521) |
| Accrued Wages and Benefits | 4,542 |
| Compensated Absences | 769 |
| Net Adjustments | 25,820 |
| Net Cash Used in Operating Activities | (83,908) |
| Cash Flows from Noncapital Financing Activities: | |
| Interest | 663 |
| Operating Grants from Federal Sources | 70,810 |
| Net Cash Provided by Noncapital Financing Activities | 71,473 |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchase of Fixed Assets | (2,575) |
| Net Decrease in Cash & Cash Equivalents | (15,010) |
| Cash and Cash Equivalents at Beginning of Year | 34,852 |
| Cash and Cash Equivalents at End of Year | \$ 19,842 |

See Accompanying Notes to the General Purpose Financial Statements.

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Jonathan Alder Local School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 District's accounting policies are described below:

A. Reporting Entity

The Jonathan Alder Local School District is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Jonathan Alder Local School District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to the residents of the District.

Average daily membership (ADM) as of October 1, 2000 was 1,684.5. The District employs 7 administrative and supervisory personnel, 100 certificated employees, and 63 non-certificated employees. Local school district are supervised by the Madison/Champaign Educational Service Center, a separate entity.

The Jonathan Alder Local School District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and nonprogrammed services.

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

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

Management believes the financial statements included in this report represent all of the funds of Jonathan Alder Local School District over which the District is financially accountable.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the District:

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during the period.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts or major capital projects requiring separate accounting because of legal or regulatory provisions or administrative actions.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal, interest and related costs on long-term general obligation debt. The District had no Debt Service Funds at June 30, 2001.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types:

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

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

Internal Service Funds – These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had no Internal Service Funds at June 30, 2001.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary fund types are:

Trust Funds – Trust Funds are used to account for assets for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for and reported as governmental funds.

Nonexpendable Trust Funds – These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no Nonexpendable Trust Funds at June 30, 2001.

Agency Funds – These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The account groups are:

General Fixed Assets Account Group – This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary Funds.

General Long-Term Debt Account Group – This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting:

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting: (Continued)

The modified accrual basis of accounting is followed for the Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when become both measurable and available to finance expenditures of the current period). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

Revenues not considered available are recorded as deferred revenue. Expenditures are recorded when the liability is incurred except for (1) interest on general long-term obligations, which is recorded when due, and (2) the noncurrent portion of accrued sick leave, which is recorded in the general long-term debt account group.

In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District therefore, revenues are recognized based upon when the expenditures are incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned.

The accrual basis of accounting is utilized by the proprietary funds. Revenues are recorded when earned and expenses are recorded when incurred.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Budget and Budgetary Accounting:

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 appropriation resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting: (Continued)

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 Madison County Budget Commission for rate determination.

Estimated Resources – Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2001.

Appropriations – Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations with functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances – As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the 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 year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting: (Continued)

Lapsing of Appropriations – At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments". During the fiscal year all investments were limited to STAR Ohio.

Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2000-2001. 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 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, 2001.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$102,971.

F. Inventories

Inventories of governmental funds are stated at cost, which approximates market, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Supplies inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (Purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds and inventory held for resale in the governmental fund consist of donated food, purchased food, and other items held for resale and are expended when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001 are recorded as prepaid items by 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over a ten year estimated useful life of the assets. The District has elected not to capitalize infrastructure.

I. Intergovernmental Revenues

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

Entitlements:

General Fund

- State Foundation Program
- School Bus Purchase Programs
- Homestead and Rollback Property Tax State Subsidy

Special Revenue Funds

- Education Management Information System
- SchoolNet Grants

Non-Reimbursable Grants

- Special Revenue Funds
 - Title I
 - Title VI
 - Drug Free Grant
 - Dwight D. Eisenhower
 - Library Automation Grant
 - Professional Development Block Grant
 - Data Communication Grant

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Reimbursable Grants:

Government Funds

Vocational Ed – Career Ed Grant
Tutor Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

J. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as “due from other funds” or “due to other funds”. Short-term interfund loans are classified as “interfund receivables/payables”.

K. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

For governmental funds, the District records a liability for accumulated unused sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available 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 debt account group. In proprietary funds, compensated absences are expensed when earned, with the amount reported as a fund liability.

The Board policy mandates vacation leave cannot be carried over to the succeeding year. The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, State laws, and Board policy.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

Sick Leave: Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1 ¼) days for each calendar month under contract. Sick leave may be accumulated to a maximum of 245 days.

Upon evidence of retirement and ten years of full-time service in the District, payment is paid for accumulated unused sick days in one lump sum up to one-fourth (¼) of the value of unused sick leave to a maximum of fifty days.

Vacation Pay: Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Each employee is encouraged to use vacation leave as earned, and may not be accumulated. Twelve month school support personnel accumulate vacation on the following factors:

School Support Personnel Vacation Leave

| | |
|------------------|---------|
| After 1 Year | 10 Days |
| 10 or More Years | 15 Days |
| 20 or More Years | 20 Days |

The Superintendent earns twenty-five days vacation annually; building Principals and the Treasurer earn thirty days vacation leave annually.

L. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities for proprietary fund operations are accounted for in those funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues, 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. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Equity

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. The unreserved fund balance indicates that portion of fund equity which is available for appropriation. Fund balances are reserved for encumbrances, property taxes, and budget stabilization.

P. Statement of Cash Flows

The proprietary funds' equity in all cash and investments with the treasurer are considered to be cash equivalents since they are available to the proprietary funds on demand.

Q. Memorandum Only – Total Columns

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

R. Restricted Cash

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

S. 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 accompany notes. Actual results may differ from those estimates.

2. CASH AND INVESTMENTS

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by 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. Bond 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); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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

Deposits: At year end, the carrying amount of the District's deposits was \$(17,526) and the bank balance was \$95,453. Of the bank balance:

1. All was covered by Federal Depository Insurance Corporation (FDIC); and
2. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

| | <u>Unclassified</u> | <u>Carrying Amount</u> | <u>Fair Value</u> |
|-----------|---------------------|------------------------|-------------------|
| STAR Ohio | 1,950, 838 | 1,950,838 | 1,950,838 |

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 Non-Expendable 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 classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents</u> | <u>Investments</u> |
|----------------------|--------------------------------------|--------------------|
| GASB Statement No. 9 | \$1,933,312 | \$ 0 |
| Investments: | | |
| STAR Ohio | <u>(1,950,838)</u> | <u>1,950,838</u> |
| GASB Statement No. 3 | <u>\$ (17,526)</u> | <u>\$1,950,838</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance 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 (Non-GAAP Basis), for all Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes 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
Governmental Fund Types**

| | General | Special Revenue | Capital Projects |
|---|------------------|--------------------|---------------------|
| GAAP Basis | \$115,128 | \$30,417 | \$ 15,083 |
| Increase (Decrease): | | | |
| Due to Revenues: | | | |
| Net Adjustments to Revenue Accruals | (92,613) | 25,737 | (2,442) |
| Due to Expenditures: | | | |
| Net Adjustments to Expenditure Accruals | 83,389 | (7,654) | 193 |
| Encumbrances | <u>(23,433)</u> | <u>(39,640)</u> | <u>(32,972)</u> |
| Budget Basis | <u>\$ 82,471</u> | <u>\$ 8,860</u> | <u>\$(20,138)</u> |

4. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the Jonathan Alder Local School District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1, of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in January. If paid semi-annually, the first payment is due in January, with the remainder payable in July.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

4. PROPERTY TAX (Continued)

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Madison, Franklin, and Union Counties. Tax settlements are made each February and August for real property taxes and each June and October for personal property taxes.

The full tax rate for the fiscal year ended June 30, 2001 was \$37.70 per \$1,000 of assessed valuation and \$2.4 per \$1,000 for Permanent Improvement. The assessed values of real and tangible personal property on which the 2000 taxes were collected were as follows:

| | |
|----------------------------|----------------------|
| Real Property | \$126,200,130 |
| Tangible Personal Property | <u>24,114,440</u> |
| Total Assessed Value | <u>\$150,315,570</u> |

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. Therefore, the receivable is offset by a credit to deferred revenue since the receivables represent taxes recorded in advance of year for which they are intended to finance.

5. RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. 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 guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | |
|----------|-------|
| Title II | 582 |
| Title IV | 1,165 |
| Title VI | 7,098 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEFINED BENEFITS PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate, currently 14 percent; 5.55 percent was the portion to fund pension obligations. The contribution rates are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$183,018, \$159,144, and \$142,212, respectively; 38 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$113,286 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System (STRS), a cost-sharing multiple employer teacher retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were: \$588,420, \$547,320, and \$533,784, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$104,224 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

6. DEFINED BENEFITS PENSION PLANS (Continued)

C. Social Security

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, 2001, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

7. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to eight percent (8%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$338,600 during the 2001 fiscal year. The balance in the Health Care Reserve Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, eligible benefit recipients totaled 99,011, and net health care costs paid by STRS were \$283,137,000.

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

For the fiscal year ended June 30, 2000 (the latest information available), employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge rate 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. For the District, this amount equaled \$16,110 during the 2001 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2000, net health care costs paid by SERS were \$140,696,340.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

8. GRANTS

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District had no pending litigation as of June 30, 2001.

9. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

| | <u>Balance</u> <u>July 1, 2000</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2001</u> |
|------------------------------|---------------------------------------|-------------------|------------------|--|
| Intergovernmental Payable | \$ 63,474 | \$ 70,970 | \$ 63,474 | \$ 70,970 |
| Notes Payable | 11,314 | 0 | 7,986 | 3,328 |
| Compensated Absences Payable | <u>521,250</u> | <u>55,194</u> | <u>0</u> | <u>576,444</u> |
| | <u>\$ 596,038</u> | <u>\$ 126,164</u> | <u>\$ 71,460</u> | <u>\$ 650,742</u> |

Five year energy improvement notes were issued during fiscal year 1997. The annual maturities of the notes as of June 30, 2001, and related payments are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Payment</u> |
|------|------------------|-----------------|----------------|
| FY02 | \$ 3,328 | \$ 0 | \$ 3,328 |

10. FUND DEFICITS

Fund Deficit:

Fund balances at June 30, 2001, included the following individual fund deficits:

Enterprise \$(54,909) Retained Earnings

The Enterprise fund deficit is due to accrued liabilities.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2001 the District paid \$28,237 to MEC.

The Central Ohio Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Central Ohio Joint Vocational School, Treasurer, at 7877 U.S. Route 42 NE, Plain City, Ohio 43064

12. RISK MANAGEMENT

A. General Risk

The 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. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$300,000 employee benefits liability policy.

The District maintains fleet insurance in the amount of \$500,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$18,705,700.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in any of the last three years.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serve a 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

12. RISK MANAGEMENT (Continued)

B. Workers' Compensation (Continued)

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 & Company provides administrative, cost control, and actuarial services to the GRP.

C. Health Insurance

The District provides fully insured health coverage to its employees with Nationwide Insurance.

13. FIXED ASSETS

The following is a summary of the proprietary funds property, plant, and equipment at June 30, 2001:

| | |
|--------------------------------|-----------------|
| Furniture and Equipment | \$57,629 |
| Less: Accumulated Depreciation | <u>(44,109)</u> |
| Net Fixed Assets | <u>\$13,520</u> |

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year 2001:

| | <u>July 1, 2000</u> | <u>Additions</u> | <u>Deletions</u> | <u>June 30, 2001</u> |
|------------------------|----------------------|------------------|------------------|----------------------|
| Land | \$ 388,321 | 0 | 0 | \$ 388,321 |
| Building & Improvement | 13,274,878 | 0 | 0 | 13,274,878 |
| Equipment | 957,003 | 168,544 | 65,088 | 1,060,459 |
| Vehicles | <u>1,022,080</u> | <u>259,070</u> | <u>135,884</u> | <u>1,145,266</u> |
| | <u>\$ 15,642,282</u> | <u>427,614</u> | <u>200,972</u> | <u>\$ 15,868,924</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

14. 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 the fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, 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.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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 or construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District had also been required to set aside money for budget stabilization. However, effective April 2001, legislation eliminated the requirement to set aside additional monies for budget stabilization. The District may spend the money accumulated in the budget reserve subject to certain restrictions.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

15. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> | <u>Totals</u> |
|---|------------------|--------------------------------|---------------------------------|------------------|
| Set-aside Cash Balance as of June 30, 2000 | \$0 | \$0 | \$166,331 | \$166,331 |
| Current year set-aside requirement | 196,635 | 196,635 | 0 | 393,270 |
| Current year offsets | 0 | (196,635) | 0 | (196,635) |
| Qualifying disbursements | <u>(196,635)</u> | <u>0</u> | <u>(121,532)</u> | <u>(318,167)</u> |
| Set-aside Cash Balance as of June 30, 2001 | <u>\$0</u> | <u>\$0</u> | <u>\$44,799</u> | <u>\$44,799</u> |
| Total Restricted Assets | | | | <u>\$44,799</u> |

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, the School District has chosen not to use this amount to reduce the set-aside requirements of future years, and are therefore not presented.

16. COMPLIANCE

The District operated a Title I targeted assistance program serving Plain City Elementary and Monroe Elementary. Student files, which contained eligibility documents such as the multicriteria form and parent permission slip, were not retained by Monroe Elementary School. As a result, there was no evidence that proper eligibility determinations were made or approved by the appropriate officials

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JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001

| Federal Grantor/ Pass Through Grantor Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|----------------------------------|---------------------------|------------------|----------------------|------------------|--------------------------|
| United States Department of Agriculture | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Distribution | NA | 10.550 | \$0 | \$25,068 | \$0 | \$22,542 |
| National School Lunch Program | 048264-03/04-PU-00/01 | 10.555 | 66,978 | 0 | 66,978 | 0 |
| <i>Total Nutrition Cluster/Total United States Department of Agriculture</i> | | | 66,978 | 25,068 | 66,978 | 22,542 |
| Unites States Department of Education | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | 048264-C1-S1-00C | 84.010 | 72,405 | 0 | 72,405 | 0 |
| | 048264-C1-S1-01 | 84.010 | 57,862 | 0 | 41,222 | 0 |
| Total Title I Grants to Local Educational Agencies | | | 130,267 | 0 | 113,627 | 0 |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States | 048264-6B-SF-01P | 84.027 | 116,831 | 0 | 116,831 | 0 |
| Safe and Drug Free Schools | 048264-DR-S1-99 | 84.186 | 0 | 0 | 310 | 0 |
| | 048264-DR-S1-00 | 84.186 | 0 | 0 | 3,724 | 0 |
| | 048264-DR-S1-01 | 84.186 | 6,087 | 0 | 4,707 | 0 |
| Total Safe and Drug Free Schools | | | 6,087 | 0 | 8,741 | 0 |
| Eisenhower Professional Development | | | | | | |
| State Grants | 048264-MS-S1-99 | 84.281 | 0 | 0 | 105 | 0 |
| | 048264-MS-S1-00 | 84.281 | 4,097 | 0 | 5,630 | 0 |
| | 048264-MS-S1-01 | 84.281 | 5,237 | 0 | 500 | 0 |
| Total Eisenhower Professional Development State Grants | | | 9,334 | 0 | 6,235 | 0 |
| Innovative Educational Program Strategies | 048264-C2-S1-99 | 84.298 | 0 | 0 | 51 | 0 |
| | 048264-C2-S1-00 | 84.298 | 5,940 | 0 | 8,427 | 0 |
| | 048264-C2-S1-01 | 84.298 | 1,558 | 0 | 42 | 0 |
| Total Innovative Educational Program Strategies | | | 7,498 | 0 | 8,520 | 0 |
| Class Size Reduction | 048264-CR-S1-00 | 84.340 | 4,349 | 0 | 5,057 | 0 |
| | 048264-CR-S1-01 | 84.340 | 24,730 | 0 | 23,131 | 0 |
| Total Class Size Reduction | | | 29,079 | 0 | 28,188 | 0 |
| <i>Total United States Department of Education</i> | | | 299,096 | 0 | 282,142 | 0 |
| Total Federal Awards | | | \$366,074 | \$25,068 | \$349,120 | \$22,542 |

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

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, 2001, 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 OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Jonathan Alder Local School District
Madison County
6440 Kilbury-Huber Road
Plain City, Ohio 43064

To the Board of Education:

We have audited the general purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated November 14, 2001. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 14, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 14, 2001.

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

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

JIM PETRO
Auditor of State

November 14, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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**

Jonathan Alder Local School District
Madison County
6440 Kilbury-Huber Road
Plain City, Ohio 43064

To the Board of Education:

Compliance

We have audited the compliance of Jonathan Alder Local School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2001-10649-001. We also noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated November 14, 2001.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Finding 2001-10649-001 is also considered to be a reportable condition.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information and use of 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

November 14, 2001

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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

JUNE 30, 2001

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | Yes |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | Yes |
| (d)(1)(vii) | Major Programs (list): | CFDA #84.010 - Title I CFDA #84.027 - Special Education Cluster |
| (d)(1)(viii) | Dollar Threshold: Type AIB Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|------------------------------------|---------------------------------------|
| Finding Number | 2001-10649-001 |
| CFDA Title and Number | CFDA # 84.010 - Title I |
| Federal Award Number / Year | 048264-C1-S1-00C 048264-C1-S1-01 |
| Federal Agency | United States Department of Education |
| Pass-Through Agency | Ohio Department of Education |

Reportable Condition/ Noncompliance Finding

STUDENT FILE RETENTION

20 USC 6315 states that Title I funds are to be used to provide services and benefits to eligible children residing or enrolled in eligible school attendance areas. Once funds are allocated to eligible school attendance areas, a school must use Title I funds only for programs that are designed to meet the needs of children identified by the school as failing, or most at risk of failing, to meet the State's challenging student performance standards. In general, eligible children are identified on the basis of multiple, educationally-related, objective criteria established by the local education agency and supplemented by the school.

The District operated a targeted assistance program serving Plain City Elementary and Monroe Elementary. Under a targeted assistance program, the District is required to maintain records for each student served to demonstrate that the individual students met the eligibility requirements to be served under the program.

Student files, which contained eligibility documents such as the multi-criteria form and parent permission slip, were not retained by Monroe Elementary School. As a result, there was no evidence that proper eligibility determinations were made or approved by the appropriate officials.

To ensure that only eligible students are served with Title I funds, we recommend the District retain all student eligibility documents.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)**

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|--|------------------------------------|-----------------------------------|
| 2001-10649-001 | The District will begin retaining all student files. | Immediately | Tracy DeMatteo, Treasurer |



STATE OF OHIO
OFFICE OF THE AUDITOR

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JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 20, 2001**