

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2007***

JANIS THOM, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Jonathan Alder Local School District, Madison County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 19, 2008

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Jonathan Alder Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jonathan Alder Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2007 on our consideration of the Jonathan Alder Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Jonathan Alder Local School District
Page Two

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 18, 2007

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The management's discussion and analysis of the Jonathan Alder Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,085,284 which represents a 15.70% decrease from 2006.
- General revenues accounted for \$13,312,616 in revenue or 83.51% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,629,117 or 16.49% of total revenues of \$15,941,733.
- The District had \$17,027,017 in expenses related to governmental activities; \$2,629,117 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,312,616 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$12,450,255 in revenues and \$12,997,395 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance decreased \$547,140 from \$1,853,889 to \$1,306,749.
- The debt service fund had revenues and other financing sources of \$11,336,501 and expenditures and other financing uses of \$11,523,887. The debt service fund's fund balance decreased \$187,386 from \$1,648,034 to \$1,460,648.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-47 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

| | Net Assets | |
|--|---|---|
| | Governmental Activities <u>2007</u> | Governmental Activities <u>2006</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 11,208,731 | \$ 10,155,297 |
| Capital assets, net | <u>27,382,207</u> | <u>28,399,542</u> |
| Total assets | <u>38,590,938</u> | <u>38,554,839</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 7,517,544 | 6,240,221 |
| Long-term liabilities | <u>25,246,043</u> | <u>25,401,983</u> |
| Total liabilities | <u>32,763,587</u> | <u>31,642,204</u> |
| <u>Net Assets</u> | | |
| Invested in capital assets, net of related debt | 3,780,592 | 4,433,562 |
| Restricted | 2,178,765 | 1,991,111 |
| Unrestricted (deficit) | <u>(132,006)</u> | <u>487,962</u> |
| Total net assets | <u>\$ 5,827,351</u> | <u>\$ 6,912,635</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$5,827,351. Of this total, \$2,178,765 is restricted in use.

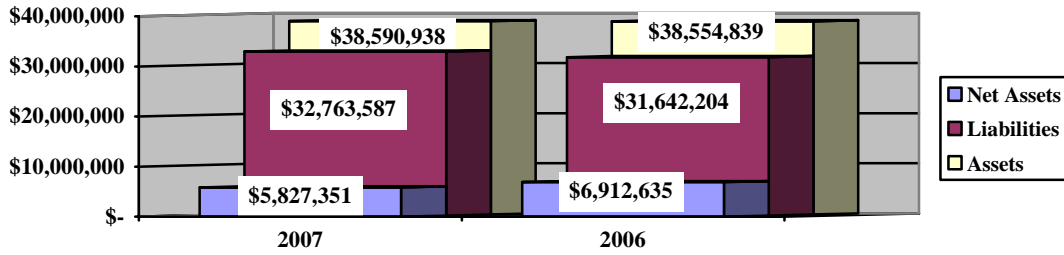
At fiscal year-end, capital assets represented 70.96% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$3,780,592. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,178,765, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$132,006.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Governmental Activities



The table below shows the change in net assets for fiscal year 2007 and 2006.

Change in Net Assets

| | Governmental Activities 2007 | Governmental Activities 2006 |
|------------------------------------|------------------------------------|------------------------------------|
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 1,484,633 | \$ 1,269,161 |
| Operating grants and contributions | 1,144,484 | 794,674 |
| General revenues: | | |
| Property taxes | 5,554,467 | 7,580,737 |
| Income taxes | 275,665 | - |
| Grants and entitlements | 7,365,024 | 7,421,086 |
| Investment earnings | 80,477 | 94,847 |
| Other | 36,983 | 72,654 |
| Total revenues | <u>15,941,733</u> | <u>17,233,159</u> |

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Change in Net Assets

| | Governmental Activities <u>2007</u> | Governmental Activities <u>2006</u> |
|---|---|---|
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 6,923,767 | \$ 6,613,866 |
| Special | 1,144,176 | 924,653 |
| Vocational | 115,387 | 119,664 |
| Other | 139,632 | 42,551 |
| Support services: | | |
| Pupil | 825,034 | 1,017,374 |
| Instructional staff | 589,540 | 613,347 |
| Board of education | 114,420 | 96,138 |
| Administration | 1,370,171 | 1,266,434 |
| Fiscal | 432,010 | 325,531 |
| Business | 5,140 | 4,566 |
| Operations and maintenance | 1,780,110 | 436,674 |
| Pupil transportation | 943,300 | 804,852 |
| Operations of non-instructional services: | | |
| Food service operations | 799,023 | 714,401 |
| Extracurricular activities | 612,198 | 592,261 |
| Interest and fiscal charges | <u>1,233,109</u> | <u>1,253,907</u> |
| Total expenses | <u>17,027,017</u> | <u>14,826,219</u> |
| Change in net assets | (1,085,284) | 2,406,940 |
| Net assets at beginning of year | <u>6,912,635</u> | <u>4,505,695</u> |
| Net assets at end of year | <u>\$ 5,827,351</u> | <u>\$ 6,912,635</u> |

The significant increase in operations and maintenance is due to non-capitalized improvements and maintenance during the prior fiscal year.

Governmental Activities

Net assets of the District's governmental activities decreased \$1,085,284. Total governmental expenses of \$17,027,017 were offset by program revenues of \$2,629,117 and general revenues of \$13,312,616. Program revenues supported 15.44% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 82.77% of total governmental revenue.

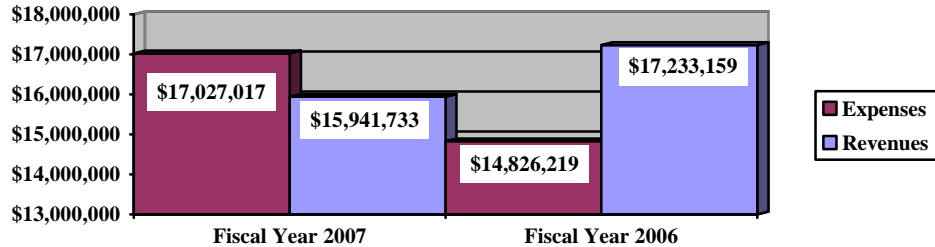
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,322,962 or 48.88% of total governmental expenses for fiscal 2007.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services <u>2007</u> | Net Cost of Services <u>2007</u> | Total Cost of Services <u>2006</u> | Net Cost of Services <u>2006</u> |
|-----------------------------|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 6,923,767 | \$ 5,761,760 | \$ 6,613,866 | \$ 5,560,147 |
| Special | 1,144,176 | 829,523 | 924,653 | 924,653 |
| Vocational | 115,387 | 115,387 | 119,664 | 119,664 |
| Other | 139,632 | 139,632 | 42,551 | 42,551 |
| Support services: | | | | |
| Pupil | 825,034 | 679,168 | 1,017,374 | 880,315 |
| Instructional staff | 589,540 | 566,790 | 613,347 | 592,367 |
| Board of education | 114,420 | 114,420 | 96,138 | 96,138 |
| Administration | 1,370,171 | 1,370,171 | 1,266,434 | 1,266,434 |
| Fiscal | 432,010 | 432,010 | 325,531 | 325,531 |
| Business | 5,140 | 5,140 | 4,566 | 4,566 |
| Operations and maintenance | 1,780,110 | 1,773,238 | 436,674 | 435,664 |
| Pupil transportation | 943,300 | 921,488 | 804,852 | 802,244 |
| Food service operations | 799,023 | 183,057 | 714,401 | 166,121 |
| Extracurricular activities | 612,198 | 273,007 | 592,261 | 292,082 |
| Interest and fiscal charges | 1,233,109 | 1,233,109 | 1,253,907 | 1,253,907 |
| Total expenses | <u><u>\$ 17,027,017</u></u> | <u><u>\$ 14,397,900</u></u> | <u><u>\$ 14,826,219</u></u> | <u><u>\$ 12,762,384</u></u> |

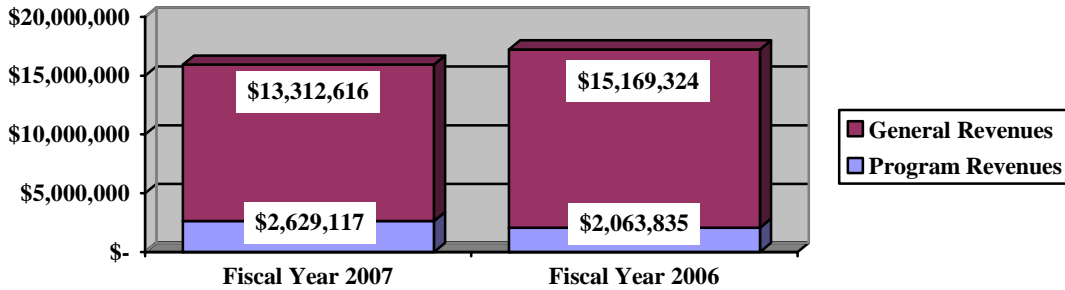
The dependence upon tax and other general revenues for governmental activities is apparent, 82.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.56%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,315,909, which is less than last year's total of \$3,700,226. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

| | Fund Balance <u>June 30, 2007</u> | Fund Balance <u>June 30, 2006</u> | Increase <u>(Decrease)</u> | Percentage <u>Change</u> |
|--------------------|--------------------------------------|--------------------------------------|-------------------------------|-----------------------------|
| General | \$ 1,306,749 | \$ 1,853,889 | \$ (547,140) | (29.51) % |
| Debt Service | 1,460,648 | 1,648,034 | (187,386) | (11.37) % |
| Other Governmental | <u>548,512</u> | <u>198,303</u> | <u>350,209</u> | 176.60 % |
| Total | <u>\$ 3,315,909</u> | <u>\$ 3,700,226</u> | <u>\$ (384,317)</u> | (10.39) % |

An analysis of the general fund and debt service fund revenues and expenditures is provided in the section below. The increase in fund balance in the other governmental funds is primarily due to an increase in fund balance in the District Managed Student Activity, Food Service, Title VI-B special revenue funds and the Building and Permanent Improvement capital projects funds. The increases in the nonmajor special revenue funds can be attributed to charges for services, extracurricular revenues, and grant revenues exceeding related expenditures for fiscal year 2007. The increase in the fund balance of the Building fund is due to a \$185,596 transfer in from the general fund and the Permanent Improvement fund received more tax revenues than were expended during the fiscal year on District improvements.

General Fund

The District's general fund balance decreased \$547,140. The decrease in fund balance can be attributed to transfers to other funds and several items related to decreasing expenditures still being more than decreased revenues. Expenditures exceed revenues for fiscal year 2007 by \$359,306. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The table below shows the revenues and expenditures of the general fund for fiscal years 2007 and 2006.

| | <u>2007</u> <u>Amount</u> | <u>2006</u> <u>Amount</u> | <u>Increase</u> <u>(Decrease)</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <u>Revenues</u> | | | | |
| Taxes | \$ 4,344,515 | \$ 5,314,591 | \$ (970,076) | (18.25) % |
| Tuition | 426,336 | 350,496 | 75,840 | 21.64 % |
| Earnings on investments | 49,692 | 56,645 | (6,953) | (12.27) % |
| Intergovernmental | 7,492,314 | 7,210,319 | 281,995 | 3.91 % |
| Other revenues | <u>137,398</u> | <u>150,318</u> | <u>(12,920)</u> | (8.60) % |
| Total | <u>\$ 12,450,255</u> | <u>\$ 13,082,369</u> | <u>\$ (632,114)</u> | (4.83) % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 7,170,283 | \$ 7,196,201 | \$ (25,918) | (0.36) % |
| Support services | 5,390,862 | 5,475,701 | (84,839) | (1.55) % |
| Extracurricular activities | 223,336 | 201,732 | 21,604 | 10.71 % |
| Facilities acquisition and construction | - | 7,888 | (7,888) | 100.00 % |
| Debt service | <u>25,080</u> | <u>25,080</u> | <u>-</u> | - % |
| Total | <u>\$ 12,809,561</u> | <u>\$ 12,906,602</u> | <u>\$ (97,041)</u> | (0.75) % |

The decrease in tax revenues was due to a decrease in tax advances available at fiscal year end. The decrease in earnings on investments was due to less cash available to be invested than during the previous year. The increase in tuition was a result of an increase in open enrollment. Other than facilities acquisition and construction, expenditures remained consistent with the previous year. While the percentage decrease of facilities acquisition and construction in the general fund was significant, the dollar amount was not.

Debt Service Fund

The District's debt service fund balance decreased \$187,386. The decrease in fund balance can be attributed to a decrease in property tax revenue as a result of a lower amount of tax advances available reported as revenue at June 30, 2007, and increased debt service costs.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$12,000,000 and \$12,136,000 respectively. Actual revenues and other financing sources for fiscal 2007 was \$12,958,359. This represents a \$822,359 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$13,349,464 were decreased to \$12,743,717 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$13,235,684, which was \$491,967 more than the final budget appropriations.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$27,382,207 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006.

**Capital Assets at June 30
(Net of Depreciation)**

| | Governmental Activities | |
|---------------------------|-------------------------|---------------|
| | 2007 | 2006 |
| Land | \$ 381,589 | \$ 381,589 |
| Land improvements | 2,325,559 | 2,463,964 |
| Building and improvements | 23,570,762 | 24,348,457 |
| Furniture and equipment | 702,369 | 764,972 |
| Vehicles | 401,928 | 440,560 |
| Total | \$ 27,382,207 | \$ 28,399,542 |

The overall decrease in capital assets of \$1,017,335 is due to depreciation expense of \$1,152,739 and disposals of \$6,399 (net of accumulated depreciation) exceeding capital outlays of \$141,803 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$22,545,000 in general obligation bonds and \$1,610,222 in capital appreciation bonds outstanding. Of this total, \$570,000 is due within one year and \$23,585,222 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities | Governmental Activities |
|----------------------------|----------------------------|----------------------------|
| | 2007 | 2006 |
| General obligation bonds | \$ 22,545,000 | \$ 22,575,000 |
| Capital appreciation bonds | 1,610,222 | 1,928,592 |
| Total | \$ 24,155,222 | \$ 24,503,592 |

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**JONATHAN ALDER SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

Current Financial Related Activities

Consistent with many school districts in Ohio, the District is forced to face the difficult challenges of maintaining the highest standards of service to the student and the community, while striving to remain financially solvent. The lack of a resolve by the Governor to the Supreme Court of Ohio's rulings regarding the state's funding of schools continues to create a hardship in the District's budget.

The District has been able to use a very conservative financial approach. The District operates at the 20 mill floor and has an inside millage of 5 mills. On November 7, 2006, the District passed an income tax levy of 0.75% for five years and collection began during fiscal year 2007.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Janis Thom, Treasurer, Jonathan Alder Local School District, 9200 US Route 42 South, Plain City, Ohio 43064.

**BASIC
FINANCIAL STATEMENTS**

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 3,990,773 |
| Receivables: | |
| Taxes | 6,910,711 |
| Accounts | 11,698 |
| Intergovernmental. | 127,269 |
| Accrued interest. | 101 |
| Materials and supplies inventory | 10,238 |
| Unamortized bond issue costs | 157,941 |
| Capital assets: | |
| Land | 381,589 |
| Depreciable capital assets, net. | 27,000,618 |
| Capital assets, net | <u>27,382,207</u> |
| Total assets. | <u>38,590,938</u> |
| Liabilities: | |
| Accounts payable. | 115,393 |
| Accrued wages and benefits | 1,089,015 |
| Pension obligation payable. | 365,571 |
| Intergovernmental payable | 49,714 |
| Unearned revenue. | 5,850,226 |
| Accrued interest payable | 47,625 |
| Long-term liabilities: | |
| Due within one year. | 755,345 |
| Due in more than one year | 24,490,698 |
| Total long-term liabilities | <u>25,246,043</u> |
| Total liabilities | <u>32,763,587</u> |
| Net Assets: | |
| Invested in capital assets, net of related debt. | 3,780,592 |
| Restricted for: | |
| Capital projects | 457,017 |
| Debt service. | 1,447,075 |
| Locally funded programs | 8,130 |
| State funded programs | 115,083 |
| Federally funded programs | 62,028 |
| Student activities | 33,633 |
| Other purposes | 55,799 |
| Unrestricted (deficit) | <u>(132,006)</u> |
| Total net assets | <u>\$ 5,827,351</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | Expenses | Program Revenues | | Net (Expense) |
|--|----------------------|--------------------------------------|--|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Revenue and Changes in Net Assets |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 6,923,767 | \$ 529,546 | \$ 632,461 | \$ (5,761,760) |
| Special | 1,144,176 | - | 314,653 | (829,523) |
| Vocational | 115,387 | - | - | (115,387) |
| Other | 139,632 | - | - | (139,632) |
| Support services: | | | | |
| Pupil | 825,034 | 126,556 | 19,310 | (679,168) |
| Instructional staff | 589,540 | - | 22,750 | (566,790) |
| Board of education | 114,420 | - | - | (114,420) |
| Administration | 1,370,171 | - | - | (1,370,171) |
| Fiscal | 432,010 | - | - | (432,010) |
| Business | 5,140 | - | - | (5,140) |
| Operations and maintenance | 1,780,110 | 6,872 | - | (1,773,238) |
| Pupil transportation | 943,300 | - | 21,812 | (921,488) |
| Operation of non-instructional services: | | | | |
| Food service operations | 799,023 | 482,468 | 133,498 | (183,057) |
| Extracurricular | 612,198 | 339,191 | - | (273,007) |
| Interest and fiscal charges | 1,233,109 | - | - | (1,233,109) |
| Total governmental activities | <u>\$ 17,027,017</u> | <u>\$ 1,484,633</u> | <u>\$ 1,144,484</u> | <u>(14,397,900)</u> |

General Revenues:

| | |
|---|---------------------|
| Property taxes levied for: | |
| General purposes | 4,012,197 |
| Debt service | 1,217,545 |
| Capital projects | 324,725 |
| School district income tax | 275,665 |
| Grants and entitlements not restricted | |
| to specific programs | 7,365,024 |
| Investment earnings | 80,477 |
| Miscellaneous | 36,983 |
| Total general revenues | <u>13,312,616</u> |
| Change in net assets | (1,085,284) |
| Net assets at beginning of year | <u>6,912,635</u> |
| Net assets at end of year | <u>\$ 5,827,351</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents. | \$ 1,980,077 | \$ 1,302,217 | \$ 663,680 | \$ 3,945,974 |
| Receivables: | | | | |
| Taxes. | 5,313,526 | 1,120,016 | 477,169 | 6,910,711 |
| Accounts | 2,346 | - | 9,352 | 11,698 |
| Intergovernmental | 449 | - | 126,820 | 127,269 |
| Accrued interest | 101 | - | - | 101 |
| Due from other funds | 23,153 | - | - | 23,153 |
| Advances to other funds | 15,727 | - | - | 15,727 |
| Materials and supplies inventory | - | - | 10,238 | 10,238 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents | 44,799 | - | - | 44,799 |
| Total assets | \$ 7,380,178 | \$ 2,422,233 | \$ 1,287,259 | \$ 11,089,670 |
| Liabilities: | | | | |
| Accounts payable | \$ 68,128 | \$ - | \$ 47,265 | \$ 115,393 |
| Accrued wages and benefits | 1,003,817 | - | 85,198 | 1,089,015 |
| Compensated absences payable | 74,719 | - | 11,715 | 86,434 |
| Pension obligation payable. | 270,391 | - | 95,180 | 365,571 |
| Intergovernmental payable. | 47,262 | - | 2,452 | 49,714 |
| Due to other funds | - | - | 23,153 | 23,153 |
| Advances from other funds | - | - | 15,727 | 15,727 |
| Deferred revenue. | 120,475 | 34,052 | 24,001 | 178,528 |
| Unearned revenue | 4,488,637 | 927,533 | 434,056 | 5,850,226 |
| Total liabilities | 6,073,429 | 961,585 | 738,747 | 7,773,761 |
| Fund Balances: | | | | |
| Reserved for encumbrances. | 40,586 | - | 248,197 | 288,783 |
| Reserved for materials and supplies inventory | - | - | 10,238 | 10,238 |
| Reserved for property tax unavailable for appropriation | 489,999 | 158,431 | 34,290 | 682,720 |
| Reserved for BWC refunds. | 44,799 | - | - | 44,799 |
| Reserved for debt service | - | 1,302,217 | - | 1,302,217 |
| Reserved for advances | 15,727 | - | - | 15,727 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 715,638 | - | - | 715,638 |
| Special revenue funds. | - | - | 82,542 | 82,542 |
| Capital projects funds. | - | - | 173,245 | 173,245 |
| Total fund balances | 1,306,749 | 1,460,648 | 548,512 | 3,315,909 |
| Total liabilities and fund balances. | \$ 7,380,178 | \$ 2,422,233 | \$ 1,287,259 | \$ 11,089,670 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

| | | | |
|--|----|--------------|--------------|
| Total governmental fund balances | | \$ | 3,315,909 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 27,382,207 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| Taxes | \$ | 163,350 | |
| Intergovernmental revenue | | 15,178 | |
| Total | | | 178,528 |
| Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets. | | | 157,941 |
| Unamortized premiums on bond issuance is not recognized in the funds. | | | (734,870) |
| Deferred charges on refunding bonds are not recognized in the funds. | | | 576,925 |
| On the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due. | | | (47,625) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Compensated absences | | (784,716) | |
| Capital lease obligation payable | | (61,726) | |
| General obligation bonds payable | | (22,545,000) | |
| Capital appreciation bonds payable | | (1,610,222) | |
| Total | | | (25,001,664) |
| Net assets of governmental activities | | \$ | 5,827,351 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 4,344,515 | \$ 1,239,587 | \$ 329,023 | \$ 5,913,125 |
| Tuition | 426,336 | - | - | 426,336 |
| Earnings on investments | 49,692 | - | 30,785 | 80,477 |
| Charges for services | - | - | 482,468 | 482,468 |
| Extracurricular | 3,164 | - | 417,097 | 420,261 |
| Classroom materials and fees | 100,046 | - | - | 100,046 |
| Other local revenues | 34,188 | - | 58,317 | 92,505 |
| Intergovernmental - Intermediate | - | - | 2,980 | 2,980 |
| Intergovernmental - State | 7,492,314 | 163,806 | 99,118 | 7,755,238 |
| Intergovernmental - Federal | - | - | 736,983 | 736,983 |
| Total revenues | <u>12,450,255</u> | <u>1,403,393</u> | <u>2,156,771</u> | <u>16,010,419</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,765,071 | - | 653,679 | 6,418,750 |
| Special | 1,157,934 | - | - | 1,157,934 |
| Vocational | 115,387 | - | - | 115,387 |
| Other | 131,891 | - | 7,741 | 139,632 |
| Support services: | | | | |
| Pupil | 706,217 | - | 114,851 | 821,068 |
| Instructional staff | 556,175 | - | 15,813 | 571,988 |
| Board of education | 114,420 | - | - | 114,420 |
| Administration | 1,286,259 | - | - | 1,286,259 |
| Fiscal | 388,245 | 26,840 | 13,880 | 428,965 |
| Business | 5,140 | - | - | 5,140 |
| Operations and maintenance | 1,455,666 | - | - | 1,455,666 |
| Pupil transportation | 878,740 | - | - | 878,740 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 600,598 | 600,598 |
| Extracurricular activities | 223,336 | - | 305,508 | 528,844 |
| Facilities acquisition and construction | - | - | 282,326 | 282,326 |
| Debt service: | | | | |
| Principal retirement | 19,296 | 535,000 | - | 554,296 |
| Interest and fiscal charges | 5,784 | 1,028,939 | - | 1,034,723 |
| Bond issuance costs | - | 161,862 | - | 161,862 |
| Total expenditures | <u>12,809,561</u> | <u>1,752,641</u> | <u>1,994,396</u> | <u>16,556,598</u> |
| Excess of revenues over (under) expenditures | <u>(359,306)</u> | <u>(349,248)</u> | <u>162,375</u> | <u>(546,179)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 187,834 | 187,834 |
| Transfers (out) | (187,834) | - | - | (187,834) |
| Issuance of refunding bonds | - | 9,179,997 | - | 9,179,997 |
| Premium on sale of bonds | - | 753,111 | - | 753,111 |
| Payment to refunded bond escrow | - | (9,771,246) | - | (9,771,246) |
| Total other financing sources (uses) | <u>(187,834)</u> | <u>161,862</u> | <u>187,834</u> | <u>161,862</u> |
| Net change in fund balances | (547,140) | (187,386) | 350,209 | (384,317) |
| Fund balances at beginning of year | <u>1,853,889</u> | <u>1,648,034</u> | <u>198,303</u> | <u>3,700,226</u> |
| Fund balances at end of year | <u>\$ 1,306,749</u> | <u>\$ 1,460,648</u> | <u>\$ 548,512</u> | <u>\$ 3,315,909</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | | |
|--|-------------|-----------------------|
| Net change in fund balances - total governmental funds | | \$ (384,317) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | |
| Capital asset additions | 141,803 | |
| Current year depreciation | (1,152,739) | |
| Total | | (1,010,936) |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. On the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (6,399) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent property taxes | (82,993) | |
| Intergovernmental | 14,307 | |
| Total | | (68,686) |
| Payment to refunded bond escrow is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. | | |
| | | 9,180,000 |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. | | |
| | | 554,296 |
| On the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expenses when due. | | |
| Accrued interest | (11,752) | |
| Accreted interest on capital appreciation bonds | (186,633) | |
| Bond issuance costs incurred in the fiscal year | 161,862 | |
| Amortization of bond issuance costs | (3,921) | |
| Premium on bonds issued in the fiscal year | (753,111) | |
| Amortization on bond premiums | 18,241 | |
| Deferred charge on refunding incurred in fiscal year | 591,246 | |
| Amortization of deferred charge on refunding | (14,321) | |
| Total | | (198,389) |
| The issuance of refunding bonds are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. | | |
| | | (9,179,997) |
| Some expenses, such as compensated absences, reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 29,144 |
| Change in net assets of governmental activities | | <u>\$ (1,085,284)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 4,449,521 | \$ 4,449,521 | \$ 4,804,872 | \$ 355,351 |
| Tuition. | 394,806 | 394,806 | 426,336 | 31,530 |
| Earnings on investments. | 45,923 | 45,923 | 49,591 | 3,668 |
| Extracurricular. | 2,930 | 2,930 | 3,164 | 234 |
| Classroom materials and fees | 91,733 | 91,733 | 99,059 | 7,326 |
| Other local revenues | 30,543 | 166,543 | 32,988 | (133,555) |
| Intergovernmental - State | 6,938,209 | 6,938,209 | 7,492,314 | 554,105 |
| Total revenues. | <u>11,953,665</u> | <u>12,089,665</u> | <u>12,908,324</u> | <u>818,659</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,954,378 | 5,655,839 | 5,845,356 | (189,517) |
| Special. | 1,169,790 | 1,111,139 | 1,148,372 | (37,233) |
| Vocational. | 117,554 | 111,661 | 115,402 | (3,741) |
| Other. | 1,694 | 138,391 | 132,305 | 6,086 |
| Support services: | | | | |
| Pupil. | 763,264 | 724,995 | 749,289 | (24,294) |
| Instructional staff | 634,280 | 602,479 | 622,667 | (20,188) |
| Board of education | 115,216 | 109,439 | 113,106 | (3,667) |
| Administration. | 1,317,368 | 1,251,318 | 1,293,248 | (41,930) |
| Fiscal | 391,988 | 372,335 | 384,811 | (12,476) |
| Business | 6,836 | 6,493 | 6,711 | (218) |
| Operations and maintenance. | 1,513,512 | 1,437,627 | 1,485,800 | (48,173) |
| Pupil transportation | 904,595 | 859,240 | 888,032 | (28,792) |
| Extracurricular activities. | 217,005 | 206,125 | 213,099 | (6,974) |
| Total expenditures | <u>13,107,480</u> | <u>12,587,081</u> | <u>12,998,198</u> | <u>(411,117)</u> |
| Excess of revenues over (under) expenditures. | <u>(1,153,815)</u> | <u>(497,410)</u> | <u>(89,874)</u> | <u>407,542</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year expenditure. | 355 | 355 | 383 | 28 |
| Transfers in. | 45,980 | 45,980 | 49,652 | 3,672 |
| Transfers (out) | (241,984) | (229,851) | (237,486) | (7,635) |
| Total other financing sources (uses) | <u>(195,649)</u> | <u>(183,516)</u> | <u>(187,451)</u> | <u>(3,935)</u> |
| Net change in fund balance | (1,349,464) | (680,932) | (277,325) | 403,607 |
| Fund balance at beginning of year. | 2,193,063 | 2,193,063 | 2,193,063 | - |
| Prior year encumbrances appropriated | 73,216 | 73,216 | 73,216 | - |
| Fund balance at end of year | <u>\$ 916,815</u> | <u>\$ 1,585,347</u> | <u>\$ 1,988,954</u> | <u>\$ 403,607</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

| | | Agency |
|--|----|---------------|
| Assets: | | |
| Equity in pooled cash and cash equivalents. | \$ | 48,698 |
| Receivables: | | |
| Accounts | | 832 |
| Total assets | \$ | 49,530 |
| Liabilities: | | |
| Accounts payable. | \$ | 1,624 |
| Intergovernmental payable | | 449 |
| Due to students | | 47,457 |
| Total liabilities | \$ | 49,530 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jonathan Alder Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The 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 residents of the District.

The District is the 303rd largest in the State of Ohio among 876 public and community school districts in terms of enrollment. It is staffed by 72 non-certificated employees and 131 certificated full-time teaching personnel who provide services to 1,819 students and other community members. The District currently operates four instructional buildings and a bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic 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 student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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.

Central Ohio Career Center

The Central Ohio Career Center 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 Career Center, Treasurer, at 7877 U.S. Route 42 NE, Plain City, Ohio 43064.

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

Metropolitan Educational Council Insurance Program ("MEC")

MEC was established under Chapter 167 of the Ohio Revised Code as a regional council of governments. Under Ohio Revised Code Section 2744.081, MEC established the MEC Liability, Fleet and Property Insurance Program (the "Program"), an insurance purchasing pool. The pool allows member districts to pool resources to purchase group insurance products at a lower rate than if the individual districts acted independently. The Program provides insurance protection, risk management programs and other administrative services. The Program is governed by a seven member Board of Trustees consisting of superintendents, treasurers and business managers. Specialty Claims Services, Inc. is responsible for processing claims. March, Inc. serves as the Plan's administrator, sales representative and marketing representative which establishes agreements between the Program and its members. Financial information can be obtained from Elmo Kallner, who serves as administrator, at MEC, 2100 City Gate Drive, Columbus, Ohio 43219-3566.

B. Fund Accounting

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

GOVERNMENTAL FUNDS

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Madison County Budget Commission for tax rate determination. The Madison County Commissioner's waived this requirement for fiscal year 2007.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Prior to April 1, 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2007; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$49,692, which includes \$5,822 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 8 - 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds.” Receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds.” These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of 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 noncurrent portion of the liability is not reported.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, advances, debt service, BWC refunds, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount of net assets restricted for other purposes includes the amount reserved for BWC refunds.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2007.

O. Estimates

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside from BWC refunds. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

S. Unamortized Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at June 30, 2007 included the following individual fund deficits:

| <u>Nonmajor Funds</u> | <u>Deficit</u> |
|---------------------------|----------------|
| Food Service | \$ 66,199 |
| Title I | 31,264 |
| Improving Teacher Quality | 43,235 |

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

B. Compliance

- i.* The District had appropriations over resources throughout the fiscal year and at fiscal year end in noncompliance with Ohio Revised Code Sections 5705.39 and 5705.36.
- ii.* The District had expenditures over appropriations throughout the fiscal year and at fiscal year end in noncompliance with Ohio Revised Code Sections 5705.41(B) and 5705.40.

NOTE 4 - DEPOSITS 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 that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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;

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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 State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$38,028, exclusive of the \$4,001,378 repurchase agreement, included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, The District's entire bank balance of \$48,983 was covered by the Federal Deposit Insurance Corporation.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

| <u>Investment type</u> | <u>Fair Value</u> | <u>Investment Maturity</u> <u>6 months or less</u> |
|------------------------|---------------------|---|
| Repurchase Agreement | \$ 4,001,378 | \$ 4,001,378 |
| STAR Ohio | 65 | 65 |
| Total | <u>\$ 4,001,443</u> | <u>\$ 4,001,443</u> |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments in the federal agency securities that underlie the District's repurchase agreement, were rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$4,001,378 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------|---------------------|---------------------|
| Repurchase Agreement | \$ 4,001,378 | 100.00 |
| STAR Ohio | <u>65</u> | <u>less than 1%</u> |
| Total | <u>\$ 4,001,443</u> | <u>100.00</u> |

C. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

| | | |
|---|--|---------------------|
| <u>Cash and investments per footnote</u> | | |
| Carrying amount of deposits | | \$ 38,028 |
| Investments | | <u>4,001,443</u> |
| Total | | <u>\$ 4,039,471</u> |
| <u>Cash and investments per Statement of Net Assets</u> | | |
| Governmental activities | | \$ 3,990,773 |
| Agency fund | | <u>48,698</u> |
| Total | | <u>\$ 4,039,471</u> |

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following amounts due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Nonmajor governmental funds | \$ 23,153 |

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- B.** Interfund balances at June 30, 2007 as reported on the fund statements consist of the following long-term advances receivable and payable:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General | Nonmajor governmental funds | \$ 15,727 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. The long-term interfund balances are not expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- C. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

| | <u>Amount</u> |
|--|---------------|
| Transfers to Nonmajor Governmental funds from: | |
| General Fund | \$ 187,834 |

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements, therefore, no transfers are reported on the statement of activities.

All transfers made in fiscal year 2007 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Madison, Franklin and Union Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$489,999 in the general fund, \$34,290 in the Permanent Improvement capital projects fund (a nonmajor fund), and \$158,431 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2006 was \$1,164,771 in the general fund, \$80,645 in the Permanent Improvement capital projects fund (a nonmajor fund), and \$402,210 in the debt service fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

| | 2006 Second Half Collections | | 2007 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$232,924,690 | 91.26 | \$243,087,920 | 93.23 |
| Tangible personal property | <u>22,297,226</u> | <u>8.74</u> | <u>17,650,267</u> | <u>6.77</u> |
| Total | <u>\$255,221,916</u> | <u>100.00</u> | <u>\$260,738,187</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 38.60 | | \$ 38.60 | |

NOTE 7 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on November 7, 2006, and is in effect for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. School District income tax revenue for fiscal year 2007 totaled \$275,665 and is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

| Governmental Activities: | |
|---------------------------------|---------------------|
| Taxes | \$ 6,910,711 |
| Accounts | 11,698 |
| Intergovernmental | 127,269 |
| Accrued interest | <u>101</u> |
| Total | <u>\$ 7,049,779</u> |

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | <u>Balance</u> <u>06/30/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>06/30/07</u> |
|---|-----------------------------------|-----------------------|-------------------|-----------------------------------|
| Governmental Activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 381,589 | \$ - | \$ - | \$ 381,589 |
| Total capital assets, not being depreciated | <u>381,589</u> | <u>-</u> | <u>-</u> | <u>381,589</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 3,122,289 | 6,620 | - | 3,128,909 |
| Buildings and improvements | 34,740,539 | 58,733 | - | 34,799,272 |
| Furniture and equipment | 1,003,649 | 10,450 | (7,999) | 1,006,100 |
| Vehicles | <u>1,321,683</u> | <u>66,000</u> | <u>(22,287)</u> | <u>1,365,396</u> |
| Total capital assets, being depreciated | <u>40,188,160</u> | <u>141,803</u> | <u>(30,286)</u> | <u>40,299,677</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (658,325) | (145,025) | - | (803,350) |
| Buildings and improvements | (10,392,082) | (836,428) | - | (11,228,510) |
| Furniture and equipment | (238,677) | (66,654) | 1,600 | (303,731) |
| Vehicles | <u>(881,123)</u> | <u>(104,632)</u> | <u>22,287</u> | <u>(963,468)</u> |
| Total accumulated depreciation | <u>(12,170,207)</u> | <u>(1,152,739)</u> | <u>23,887</u> | <u>(13,299,059)</u> |
| Governmental activities capital assets, net | <u>\$ 28,399,542</u> | <u>\$ (1,010,936)</u> | <u>\$ (6,399)</u> | <u>\$ 27,382,207</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 572,917 |
| <u>Support Services:</u> | |
| Instructional staff | 10,643 |
| Administration | 74,897 |
| Operations and maintenance | 83,089 |
| Pupil transportation | 108,125 |
| Central | 13,303 |
| Extracurricular activities | 83,354 |
| Food service operations | <u>206,411</u> |
| Total depreciation expense | <u>\$ 1,152,739</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2007, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$103,076, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was \$51,538, leaving a current book value of \$51,538.

A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2007 totaled \$19,296 in the general.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007:

| <u>Fiscal Year Ending June 30,</u> | <u>Copiers</u> |
|------------------------------------|------------------|
| 2008 | \$ 25,080 |
| 2009 | 25,080 |
| 2010 | <u>18,810</u> |
| Total minimum lease payments | 68,970 |
| Less: amount representing interest | <u>(7,244)</u> |
| Total | <u>\$ 61,726</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

| | Balance Outstanding <u>06/30/06</u> | <u>Additions</u> | <u>Reductions</u> | Balance Outstanding <u>06/30/07</u> | Amounts Due in <u>One Year</u> |
|--|---|---------------------|-----------------------|---|--------------------------------------|
| Governmental Activities: | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| Series 2002 Current interest bonds | \$ 22,575,000 | \$ - | \$ (9,180,000) | \$ 13,395,000 | \$ - |
| Series 2002 Capital appreciation bonds | 1,309,958 | - | (345,070) | 964,888 | 319,902 |
| Series 2002 Accreted interest | 618,634 | 181,706 | (189,930) | 610,410 | 230,098 |
| Series 2006 Current interest bonds | - | 9,150,000 | - | 9,150,000 | 20,000 |
| Series 2006 Capital appreciation bonds | - | 29,997 | - | 29,997 | - |
| Series 2006 Accreted interest | - | 4,927 | - | 4,927 | - |
| Total general obligation bonds payable | <u>24,503,592</u> | <u>9,366,630</u> | <u>(9,715,000)</u> | <u>24,155,222</u> | <u>570,000</u> |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Capital lease obligations | 81,022 | - | (19,296) | 61,726 | 20,897 |
| Compensated absences | 817,369 | 132,296 | (78,515) | 871,150 | 164,448 |
| Total other long-term liabilities | <u>898,391</u> | <u>132,296</u> | <u>(97,811)</u> | <u>932,876</u> | <u>185,345</u> |
| Total | <u>\$ 25,401,983</u> | <u>\$ 9,498,926</u> | <u>\$ (9,812,811)</u> | 25,088,098 | <u>\$ 755,345</u> |
| Less: deferred charge on refunding | | | | (576,925) | |
| Add: unamortized premium | | | | <u>734,870</u> | |
| Total long-term liabilities | | | | <u>\$ 25,246,043</u> | |

Series 2002 General Obligation Bonds: During fiscal year 2003, the District issued voted \$25,000,000 in school improvement general obligation bonds to provide funds for the acquisition and construction of equipment and facilities. During fiscal year 2007, \$9,180,000 of the callable portion of the bonds were advance refunded. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of repayment is derived from a current 8.50 mill bonded debt tax levy.

At June 30, 2007, this issue is comprised of both current interest bonds, par value \$13,395,000, and capital appreciation bonds, par value \$964,888. The interest rates on the current interest bonds range from 3.90% to 5.00%. The capital appreciation bonds matured on December 1, 2006, and mature on December 1, 2007, December 1, 2008, and December 1, 2009, (effective interest 10.61%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$2,380,000. A total of \$610,410 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2007.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

Series 2006 Refunding General Obligation Bonds - In November, 2006, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2002 Current Interest General Obligation Bonds (principal \$9,180,000; interest rate of 4.25 to 5.0%). The issuance proceeds of \$9,179,997 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$9,150,000, and capital appreciation bonds, par value \$29,997. The average interest rate on the current interest bonds is 4.0%. The capital appreciation bonds mature December 1, 2016, (effective interest 33.4%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$540,000. Total accreted interest of \$4,927 has been included on the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$591,246. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next twenty-four years by \$698,174.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2030 and resulted in an economic gain of 5.126% or \$470,549.

Capital Lease Obligation: During fiscal year 2005, the District entered a lease agreement for copier equipment. Principal and interest payments will be made from the general fund. See Note 10 for details.

Compensated Absences: Compensated absences represent accumulated vacation and an estimated severance liability for employees both eligible to retire and those expected to become eligible in the future. Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund and the Food Service, IDEA Part B Grant and Title I nonmajor special revenue funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The following is a summary of the District's future annual debt service requirements to maturity for notes and bonds:

| Fiscal Year Ended | Series 2002 Current Interest Bonds | | | Capital Appreciation Bonds | | |
|----------------------|------------------------------------|---------------------|----------------------|----------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ - | \$ 597,778 | \$ 597,778 | \$ 319,902 | \$ 230,098 | \$ 550,000 |
| 2009 | - | 597,777 | 597,777 | 330,441 | 299,559 | 630,000 |
| 2010 | - | 597,778 | 597,778 | 314,545 | 350,455 | 665,000 |
| 2011 | 680,000 | 585,878 | 1,265,878 | - | - | - |
| 2012 | 775,000 | 559,834 | 1,334,834 | - | - | - |
| 2013 - 2017 | 3,645,000 | 2,321,766 | 5,966,766 | - | - | - |
| 2018 - 2022 | 4,815,000 | 1,460,959 | 6,275,959 | - | - | - |
| 2023 - 2025 | 3,480,000 | 265,119 | 3,745,119 | - | - | - |
| Total | <u>\$ 13,395,000</u> | <u>\$ 6,986,889</u> | <u>\$ 20,381,889</u> | <u>\$ 964,888</u> | <u>\$ 880,112</u> | <u>\$ 1,845,000</u> |

| Fiscal Year Ended | Series 2006 Current Interest Bonds | | | Capital Appreciation Bonds | | |
|----------------------|------------------------------------|---------------------|----------------------|----------------------------|-------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ 20,000 | \$ 394,983 | \$ 414,983 | \$ - | \$ - | \$ - |
| 2009 | 30,000 | 394,095 | 424,095 | - | - | - |
| 2010 | 30,000 | 393,000 | 423,000 | - | - | - |
| 2011 | 30,000 | 391,875 | 421,875 | - | - | - |
| 2012 | 30,000 | 390,712 | 420,712 | - | - | - |
| 2013 - 2017 | 145,000 | 1,933,462 | 2,078,462 | 29,997 | 510,003 | 540,000 |
| 2018 - 2022 | 100,000 | 1,910,937 | 2,010,937 | - | - | - |
| 2023 - 2027 | 2,725,000 | 1,778,445 | 4,503,445 | - | - | - |
| 2028 - 2031 | 6,040,000 | 542,938 | 6,582,938 | - | - | - |
| Total | <u>\$ 9,150,000</u> | <u>\$ 8,130,447</u> | <u>\$ 17,280,447</u> | <u>\$ 29,997</u> | <u>\$ 510,003</u> | <u>\$ 540,000</u> |

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$350,234 (including available funds of \$1,460,648) and an unvoted debt margin of \$249,216.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

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. During fiscal 2007, the District participated in the MEC Liability, Fleet and Property Insurance Program (see Note 2.A.). The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:

| | |
|---|--------------|
| Property limit (\$2,500 deductible) | \$ 1,000,000 |
| Boiler and Machinery (\$2,500 deductible) | 50,000,000 |
| Automobile liability (\$5,000 deductible) | 2,000,000 |
| Uninsured/underinsured motorist | 1,000,000 |
| Medical payments | 5,000 |
| Public Employee Dishonesty | 500,000 |
| General school district liability | |
| Per occurrence | 1,000,000 |
| Total per year | 3,000,000 |
| Excess liability | 5,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Group Health and Dental Insurance

Health, life, dental and other group insurance is offered to employees as a fringe benefit and is traditionally funded through United Health Care. Employer and employee contributions to premium are determined by negotiated agreements with employee labor unions (currently, single and family coverage is 80% Board-paid and 20% employee-paid).

While all benefit plans are traditionally-funded through United Health Care, the Board's group health plan contains provisions for discounted amounts to be remitted to the carrier during the year (90% of the carrier-established premium for fiscal year 2007, contingent upon the group's claims experience for the year. While the District has not retained risk for any claims, should the group's claim costs for the year exceed the threshold of the discounted amount remitted to the carrier during the year, the District must remit additional premium, to a maximum of the difference between the discounted premium and the full premium.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

C. Workers' Compensation Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - RISK MANAGEMENT - (Continued)

The workers' compensation experience of the participating 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 districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$198,448, \$207,584, and \$173,513, respectively; 31% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$136,435 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$845,482, \$854,172, and \$765,944, respectively; 83% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$147,104 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$11,273 made by the District and \$24,874 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$65,037 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$91,300 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the project claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

| Net Change in Fund Balance | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ (277,325) |
| Net adjustment for revenue accruals | (458,069) |
| Net adjustment for expenditure accruals | 129,562 |
| Net adjustment for other sources/uses | (383) |
| Adjustment for encumbrances | <u>59,075</u> |
| GAAP basis | <u>\$ (547,140)</u> |

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in litigation and loss is uncertain at this time.

SUPPLEMENTARY DATA

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | PASS-THROUGH GRANT NUMBER | (D) CASH FEDERAL RECEIPTS | OTHER FEDERAL RECEIPTS | (D) CASH FEDERAL DISBURSEMENTS | OTHER FEDERAL DISBURSEMENTS |
|---|----------------|---------------------------------|------------------------------------|------------------------------|---|-----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | | | |
| (B) Food Donation | 10.550 | N/A | \$ - | \$ 27,972 | \$ - | \$ 27,972 |
| Total Food Donation | | | <u>-</u> | <u>27,972</u> | <u>-</u> | <u>27,972</u> |
| Nutrition Cluster: | | | | | | |
| (A) (C) School Breakfast Program | 10.553 | 048264-05PU-2007 | 9,805 | | 9,805 | |
| Total School Breakfast Program | | | <u>9,805</u> | | <u>9,805</u> | |
| (A) (C) National School Lunch Program | 10.555 | 048264-LLP4-2006 | 28,129 | | 28,129 | |
| (A) (C) National School Lunch Program | 10.555 | 048264-LLP4-2007 | 87,840 | | 87,840 | |
| Total National School Lunch Program | | | <u>115,969</u> | | <u>115,969</u> | |
| Total Nutrition Cluster | | | <u>125,774</u> | | <u>125,774</u> | |
| Total U.S. Department of Agriculture | | | <u>125,774</u> | <u>27,972</u> | <u>125,774</u> | <u>27,972</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 048264-C1S1-2006 | 36,813 | | 13,585 | |
| Title I Grants to Local Educational Agencies | 84.010 | 048264-C1S1-2007 | 106,239 | | 116,351 | |
| Total Title I Grants to Local Educational Agencies | | | <u>143,052</u> | | <u>129,936</u> | |
| Special Education Grants to States | 84.027 | 048264-6BSD-2006 | 80,201 | | 55,541 | |
| Special Education Grants to States | 84.027 | 048264-6BSF-2007 | 328,095 | | 321,928 | |
| Total Special Education Grants to States | | | <u>408,296</u> | | <u>377,469</u> | |
| (E) Safe and Drug-Free Schools and Communities State Grants | 84.186 | 048264-DRS1-2006 | (736) | | - | |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 048264-DRS1-2007 | 6,166 | | 5,397 | |
| Total Safe and Drug-Free Schools and Communities State Grants | | | <u>5,430</u> | | <u>5,397</u> | |
| State Grants for Innovative Programs | 84.298 | 048264-C2S1-2006 | 428 | | 103 | |
| State Grants for Innovative Programs | 84.298 | 048264-C2S1-2007 | 2,464 | | 2,193 | |
| Total State Grants for Innovative Programs | | | <u>2,892</u> | | <u>2,296</u> | |
| Education Technology State Grants | 84.318 | 048264-TJS1-2006 | 443 | | 443 | |
| Education Technology State Grants | 84.318 | 048264-TJS1-2007 | 1,773 | | 1,601 | |
| Total Education Technology State Grants | | | <u>2,216</u> | | <u>2,044</u> | |
| Improving Teacher Quality State Grants | 84.367 | 048264-TRS1-2006 | 15,193 | | 4,557 | |
| Improving Teacher Quality State Grants | 84.367 | 048264-TRS1-2007 | 76,570 | | 80,900 | |
| Total Improving Teacher Quality State Grants | | | <u>91,763</u> | | <u>85,457</u> | |
| Total U.S. Department of Education | | | <u>653,649</u> | | <u>602,599</u> | |
| Total Federal Financial Assistance | | | <u>\$ 779,423</u> | <u>\$ 27,972</u> | <u>\$ 728,373</u> | <u>\$ 27,972</u> |

(A) included as part of the "Nutrition Cluster" in determining major programs

(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices

(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

(D) This schedule was prepared on the cash basis of accounting

(E) The amount of \$736 was transferred to the next grant year based on Ohio Department of Education administrative action.



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Serving Ohio Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jonathan Alder Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Jonathan Alder Local School District's basic financial statements and have issued our report thereon dated December 18, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jonathan Alder Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jonathan Alder Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Jonathan Alder Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jonathan Alder Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Jonathan Alder Local School District's financial statements that is more than inconsequential will not be prevented or detected by Jonathan Alder Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Jonathan Alder Local School District's internal control.

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

Board of Education
Jonathan Alder Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonathan Alder Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and responses as items 2007-JALSD-001, 2007-JALSD-002, 2007-JALSD-003, and 2007-JALSD-004.

Jonathan Alder Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Jonathan Alder Local School District's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to the management of Jonathan Alder Local School District in a separate letter dated December 18, 2007.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 18, 2007



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its
Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

Compliance

We have audited the compliance of Jonathan Alder Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. Jonathan Alder Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jonathan Alder Local School District's management. Our responsibility is to express an opinion on Jonathan Alder Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jonathan Alder Local School 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 Jonathan Alder Local School District's compliance with those requirements.

In our opinion, Jonathan Alder Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

The management of Jonathan Alder Local School 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 Jonathan Alder Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jonathan Alder Local School District's internal control over compliance.

Board of Education
Jonathan Alder Local School District

A control deficiency in Jonathan Alder Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jonathan Alder Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Jonathan Alder Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Jonathan Alder Local School District's internal control.

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
December 18, 2007

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|---|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | Yes |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under §.510?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program (listed):</i> | Special Educational - Grants to States - CFDA #84.027 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: >\$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

| | |
|---|----------------|
| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
| Finding Number | 2007-JALSD-001 |

Ohio Revised Code Section 5705.36 in part requires that the total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client response: The District Treasurer will attempt to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

| | |
|----------------|----------------|
| Finding Number | 2007-JALSD-002 |
|----------------|----------------|

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.

The District had appropriations exceeding the total estimated resources in the following funds:

| <u>March 31, 2007</u> | | <u>Estimated</u> | |
|-----------------------|-----------------------|------------------|---------------|
| <u>Nonmajor Funds</u> | <u>Appropriations</u> | <u>Resources</u> | <u>Excess</u> |
| Building | \$ 195,000 | \$ 121,006 | \$ 73,994 |
| Entry Year Programs | 6,600 | 505 | 6,095 |
| IDEA, Part B | 466,219 | 441,559 | 24,660 |
| Title I | 171,148 | 147,519 | 23,629 |

| <u>June 30, 2007</u> | | | |
|---------------------------|------------|------------|------------|
| <u>Nonmajor Funds</u> | | | |
| Permanent Improvement | \$ 524,117 | \$ 157,469 | \$ 366,648 |
| Building | 147,167 | 121,006 | 26,161 |
| Student Managed Activity | 65,000 | 64,308 | 692 |
| Entry Year Program | 4,800 | 505 | 4,295 |
| School Net | 11,676 | - | 11,676 |
| Improving Teacher Quality | 88,710 | 59,891 | 28,819 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

| 2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|------------------------------|
| Finding Number | 2007-JALSD-002 - (Continued) |

With appropriations exceeding estimated resources the District is appropriating monies that are not in the treasury or in the process of collection that have been certified with the County Auditor. Thus, over appropriating may cause expenditures to increase and cause a deficit fund balance.

We recommend that the District comply with the Ohio Revised Code by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

Client response: The District Treasurer is attempting to prepare modifications to amended certificates throughout the year and certify them to the County Auditor.

| | |
|----------------|----------------|
| Finding Number | 2007-JALSD-003 |
|----------------|----------------|

Ohio Revised Code Section 5705.40 in part requires that any appropriation measure may be amended or supplemented if the entity complies with the same laws used in making the original appropriation. However, no appropriation may be reduced below an amount sufficient to cover all un-liquidated and outstanding contracts or obligations against them.

The District had total expenditures exceeding the total appropriations throughout the fiscal year and at fiscal year end.

By not timely and properly modifying the District's appropriations, the District is not adequately monitoring its expenditures versus appropriations. This may result in appropriating monies in excess of estimated resources, and having expenditures exceed appropriations, and possibly, fund deficits.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations records and amending the appropriations prior to year end. In addition, the District should monitor its budgetary process on a regular basis.

Client response: The District Treasurer is attempting to make appropriation modifications and certify them to the county in a more timely manner.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued) | |
|---|----------------|
| Finding Number | 2007-JALSD-004 |

Ohio Revised Code Section 5705.41(B) in part requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds:

| <u>Major Fund</u> | <u>Expenditures</u> | <u>Appropriations</u> | <u>Excess</u> |
|-------------------------------------|---------------------|-----------------------|---------------|
| General Fund | \$ 13,235,684 | \$ 12,816,932 | \$ 418,752 |
| <u>Nonmajor Funds</u> | | | |
| District Managed Student Activity | 339,343 | 323,908 | 15,435 |
| School Net Professional Development | 6,105 | 4,285 | 1,820 |
| Poverty Aide | 7,722 | 7,018 | 704 |
| Miscellaneous State Grants | 330 | - | 330 |
| IDEA, Part B | 385,451 | 346,042 | 39,409 |
| Title I | 142,683 | 123,021 | 19,662 |
| Drug Free Grant | 6,893 | 6,133 | 760 |
| Improving Teacher Quality | 91,075 | 88,710 | 2,365 |

With expenditures exceeding appropriations the District is allowing expenditures to exceed appropriations and the possibility of expenditures to exceed available resources and thus could cause a negative fund balance.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Client response: The District Treasurer is attempting to make appropriation modifications and certify them to the county in a more timely manner.

| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|
|--|

None

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

| <u>Finding Number</u> | <u>Finding Summary</u> | <u>Fully Corrected?</u> | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|------------------------------|--|--------------------------------|---|
| 2006-JALSD-001 | Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures. | Partially | Located in Management Letter. |
| 2006-JALSD-002 | Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources. | No | Repeated as Finding 2007-JALSD-002. |



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2008**