



**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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REPORT INDEPENDENT ACCOUNTANTS

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

JIM PETRO
Auditor of State

November 3, 2000

**Jonathan Alder Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000**

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals 2000
	General	Special Revenue	Capital Project	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$1,357,809	154,012	42,930	34,852	15,191	0	0	\$1,604,794
Restricted Cash	166,331	0	0	0	0	0	0	166,331
Taxes Receivables	3,550,307	0	269,573	0	0	0	0	3,819,880
Accounts Receivable	8,183	756	0	0	0	0	0	8,939
Intergovernmental Receivables	0	38,268	0	0	0	0	0	38,268
Inventory for Resale	0	0	0	6,511	0	0	0	6,511
Inventory	0	0	0	1,127	0	0	0	1,127
Prepaid Expenses	15,844	0	0	0	0	0	0	15,844
Property, Plant, and Equipment, net of depreciation	0	0	0	11,501	0	15,642,282	0	15,653,783
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	596,038	596,038
Total Assets and Other Debits	\$5,098,474	193,036	312,503	53,991	15,191	15,642,282	596,038	\$21,911,515

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Jonathan Alder Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2000**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals 2000
	General	Special Revenue	Capital Project	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Liabilities:								
Accounts Payable	\$22,977	19,438	607	0	0	0	0	\$43,022
Intergovernmental Payables	136,144	159	0	16,503	0	0	63,474	216,280
Accrued Salaries and Benefits	691,300	18,829	0	28,240	0	0	0	738,369
Deferred Revenue	2,508,331	0	188,299	4,088	0	0	0	2,700,718
Due to Students	0	0	0	0	15,191	0	0	15,191
General Obligation Notes Payable	0	0	0	0	0	0	11,314	11,314
Compensated Absences Payable	81,681	0	0	15,682	0	0	521,250	618,613
Total Liabilities	3,440,433	38,426	188,906	64,513	15,191	0	596,038	4,343,507
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	15,642,282	0	15,642,282
Contributed Capital	0	0	0	39,978	0	0	0	39,978
Retained Earnings	0	0	0	(50,500)	0	0	0	(50,500)
Fund Balances:								
Reserved for Property Taxes	1,041,976	0	81,274	0	0	0	0	1,123,250
Reserved for Encumbrances	22,490	20,669	22,404	0	0	0	0	65,563
Reserved for Budget Stabilization	166,331	0	0	0	0	0	0	166,331
Unreserved Fund Balance	427,244	133,941	19,919	0	0	0	0	581,104
Total Fund Balances	1,658,041	154,610	123,597	0	0	0	0	1,936,248
Total Fund Balances/Retained Earnings and Other Credits	1,658,041	154,610	123,597	(10,522)	0	15,642,282	0	17,568,008
Total Liabilities, Fund Equity, and Other Credits	\$5,098,474	193,036	312,503	53,991	15,191	15,642,282	596,038	\$21,911,515

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types Funds
Year Ended June 30, 2000

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Projects	(Memorandum (Only))
REVENUES:				
Revenue from Local Sources				
Taxes	\$3,535,213	0	267,730	\$3,802,943
Rent	4,730	0	0	4,730
Earnings on Investments	87,029	0	0	87,029
Extracurricular Activities	0	217,988	0	217,988
Classroom Materials & Fees	96,978	0	0	96,978
Miscellaneous	10,797	15,267	0	26,064
Intergovernmental	5,156,736	196,246	81,111	5,434,093
Total Revenue	8,891,483	429,501	348,841	9,669,825
EXPENDITURES:				
Current:				
Instruction				
Regular Instruction	4,129,746	60,898	0	4,190,644
Special Instruction	413,991	48,625	0	462,616
Vocational Instruction/Other	92,000	3,318	0	95,318
Supporting Services				
Supporting Services-Pupils	450,229	175,565	0	625,794
Supporting Services-Instructional Staff	80,855	41,460	38,111	160,426
Supporting Services-Board of Education	54,523	0	0	54,523
Supporting Services-Administration	768,933	7,867	0	776,800
Fiscal Services	907,047	0	6,388	913,435
Business Services	4,323	0	0	4,323
Operation & Maintenance-Plant	713,954	0	0	713,954
Pupil Transportation/Central	686,578	10,685	0	697,263
Operation of Non-Instructional Services				
Extracurricular Activities	150,935	83,815	0	234,750
Capital Outlay				
Other Facility Acq. & Construction	0	0	445,441	445,441
Debt Service				
Debt Service-Principal	8,007	0	0	8,007
Debt Service-Interest	0	0	5,043	5,043
Total Expenditures	8,461,121	432,233	494,983	9,388,337
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	430,362	(2,732)	(146,142)	281,488
Other Financing Sources and Uses:				
Other Receipts	(1,557)	32,082	0	30,525
Transfers In	11,907	0	395,649	407,556
Transfers Out	(407,556)	0	0	(407,556)
Net Other Financing Sources and Uses	(397,206)	32,082	395,649	30,525
Excess (Deficiency) of Revenue Receipts				
and Other Sources Over (Under) Expenditure				
Disbursement and Other Uses	33,156	29,350	249,507	312,013
Beginning Fund Balance	1,624,885	125,260	(125,910)	1,624,235
Ending Fund Balance	\$1,658,041	154,610	123,597	\$1,936,248

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,465,008	3,467,296	2,288	0	0	\$0
Intergovernmental	5,156,736	5,156,736	0	167,769	167,769	0
Earnings on Investment	87,000	87,029	29	0	0	0
Tuition and Fees	90,287	92,195	1,908	0	0	0
Rent	4,730	4,730	0	0	0	0
Extracurricular Activities	0	0	0	218,753	219,439	686
Miscellaneous	10,667	10,797	130	15,167	15,267	100
Total Revenue	8,814,428	8,818,783	4,355	401,689	402,475	786
Expenditures:						
Regular Instruction	4,125,503	4,111,538	13,965	58,179	57,445	734
Special Instruction	423,803	415,539	8,264	36,232	33,695	2,537
Vocational Instruction	91,356	90,386	970	0	0	0
Other Instruction	0	0	0	3,318	3,318	0
Support Services-Pupils	440,176	437,127	3,049	185,346	180,060	5,286
Support Services-Instructional Staff	87,151	84,213	2,938	54,132	44,704	9,428
Support Services-Board of Education	55,666	53,917	1,749	0	0	0
Support Services-Administration	790,381	780,864	9,517	7,867	7,867	0
Fiscal Services	972,995	880,568	92,427	0	0	0
Business Services	6,000	4,323	1,677	0	0	0
Operation & Maintenance-Plant	734,940	728,803	6,137	0	0	0
Support Services-Transportation	666,836	665,400	1,436	300	350	(50)
Support Services-Central	0	0	0	25,274	24,760	514
Extracurricular Activities	152,043	151,735	308	86,916	85,204	1,712
Other Facilities, Acq. & Construction	0	0	0	0	0	0
Repayment of Debt-Principal	8,007	8,007	0	0	0	0
Repayment of Debt-Interest	0	0	0	0	0	0
Total Expenditures	8,554,857	8,412,420	142,437	457,564	437,403	20,161
Excess of Revenue Over (Under) Expenditures	259,571	406,363	146,792	(55,875)	(34,928)	20,947
Other Financing Sources (Uses):						
Operating Transfers In	11,907	11,907	0	0	0	0
Other Financing Sources	0	0	0	31,831	31,831	0
Operating Transfers-Out	(395,226)	(395,226)	0	0	0	0
Total Other Sources (Uses)	(383,319)	(383,319)	0	31,831	31,831	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(123,748)	23,044	146,792	(24,044)	(3,097)	20,947
Beginning Fund Balance	1,418,915	1,418,915	0	99,350	99,350	0
Prior Year Carry Over Encumbrances	45,497	45,497	0	23,699	23,699	0
Ending Fund Balance	\$1,340,664	1,487,456	146,792	99,005	119,952	\$20,947

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**Jonathan Alder Local School District
 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
 Budget and Actual (Non-GAAP Basis)
 All Governmental Fund Types - Continued
 Year Ended June 30, 2000**

Capital Project Fund

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$256,697	262,539	5,842
Intergovernmental	81,111	81,111	0
Interest	0	0	0
Tuition and Fees	0	0	0
Rent	0	0	0
Extracurricular Activities	0	0	0
Miscellaneous	0	0	0
Total Revenue	337,808	343,650	5,842
Expenditures:			
Regular Instruction	0	0	0
Special Instruction	0	0	0
Vocational Instruction	0	0	0
Other Instruction	0	0	0
Support Services-Pupils	0	0	0
Support Services-Instructional Staff	40,744	40,744	0
Support Services-Board of Education	0	0	0
Support Services-Administration	0	0	0
Fiscal Services	5,910	6,389	(479)
Business Services	0	0	0
Operation & Maintenance-Plant	0	0	0
Support Services-Transportation	0	0	0
Support Services-Central	0	0	0
Extracurricular Activities	0	0	0
Other Facilities, Acq. & Construction	470,400	470,403	(3)
Repayment of Debt-Principal	225,793	225,793	0
Repayment of Debt-Interest	8,962	8,962	0
Total Expenditures	751,809	752,291	(482)
Excess of Revenue Over (Under) Expenditures	(414,001)	(408,641)	5,360
Other Financing Sources (Uses):			
Operating Transfers In	383,319	383,319	0
Other Financing Sources	0	0	0
Operating Transfers-Out	0	0	0
Total Other Sources (Uses)	383,319	383,319	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(30,682)	(25,322)	5,360
Beginning Fund Balance	28,423	28,423	0
Prior Year Carry Over Encumbrances	17,354	17,354	0
Ending Fund Balance	\$15,095	20,455	5,360

See Accompanying Notes to the General Purpose Financial Statements. (Continued)

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 2000

Totals (Memorandum Only)

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$3,721,705	3,729,835	\$8,130
Intergovernmental	5,405,616	5,405,616	0
Interest	87,000	87,029	29
Tuition and Fees	90,287	92,195	1,908
Rent	4,730	4,730	0
Extracurricular Activities	218,753	219,439	686
Miscellaneous	25,834	26,064	230
Total Revenue	9,553,925	9,564,908	10,983
Expenditures:			
Regular Instruction	4,183,682	4,168,983	14,699
Special Instruction	460,835	449,234	10,801
Vocational Instruction	91,356	90,386	970
Other Instruction	3,318	3,318	0
Support Services-Pupils	625,522	617,187	8,335
Support Services-Instructional Staff	182,027	169,661	12,366
Support Services-Board of Education	55,666	53,917	1,749
Support Services-Administration	798,248	788,731	9,517
Fiscal Services	978,905	886,957	91,948
Business Services	6,000	4,323	1,677
Operation & Maintenance-Plant	734,940	728,803	6,137
Support Services-Transportation	667,136	665,750	1,386
Support Services-Central	25,274	24,760	514
Extra Curricular Activities	238,959	236,939	2,020
Other Facilities, Acq .& Construction	470,400	470,403	(3)
Repayment of Debt-Principal	233,800	233,800	0
Repayment of Debt-Interest	8,962	8,962	0
Total Expenditures	9,764,230	9,602,114	162,116
Excess of Revenue Over (Under) Expenditures	(210,305)	(37,206)	173,099
Other Financing Sources (Uses):			
Operating Transfers In	395,226	395,226	0
Other Financing Sources	31,831	31,831	0
Operating Transfers-Out	(395,226)	(395,226)	0
Total Other Sources (Uses)	31,831	31,831	0
Excess of Revenues & Other Financing			
Sources Over (Under) Expenditures and Other Financing Uses	(178,474)	(5,375)	173,099
Beginning Fund Balance	1,546,688	1,546,688	0
Prior Year Carry Over Encumbrances	86,550	86,550	0
Ending Fund Balance	\$1,454,764	1,627,863	\$173,099

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Enterprise Fund
Year Ended June 30, 2000**

	Enterprise Fund
Operating Revenues:	
Food Service	<u>\$298,066</u>
Total Operating Revenue	298,066
Operating Expenses:	
Personal Services - Salary	147,308
Employee Benefits	71,030
Purchased Services	325
Supplies and Materials	201,286
Depreciation	312
Other Expenses	<u>1,562</u>
Total Operating Expenses	<u>421,823</u>
Operating Loss	(123,757)
Non-Operating Revenues:	
State and Federal Grants-in-Aid	88,578
Interest	2,201
Federal Donated Commodities	<u>31,956</u>
Total Non-Operating Revenue	<u>122,735</u>
Net Loss	(1,022)
Beginning Retained Earnings	<u>(49,478)</u>
Retained Earnings at End of Year	<u><u>\$(50,500)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District
Statement of Cash Flows
Enterprise Fund
Year Ended June 30, 2000**

	Enterprise Fund
Cash Flows from Operating Activities	
Operating Loss	\$(123,757)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities:	
Depreciation	312
Net (Increase) Decrease in Assets:	
Inventory	(17)
Inventory for Resale	1,324
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	626
Accounts Payable	(188)
Accrued Wages and Benefits	(2,161)
Deferred Revenue	(1,308)
Compensated Absences	(1,898)
Net Adjustments	(3,310)
Net Cash Used in Operating Activities	(127,067)
Cash Flows from Noncapital Financing Activities:	
Federal Donated Commodities	31,955
Interest	2,201
Operating Grants from Federal Sources	88,578
Net Cash Provided by Non-capital Financing Sources	122,734
Net Decrease in Cash & Cash Equivalents	(4,333)
Cash and Cash Equivalents at Beginning of Year	39,184
Cash and Cash Equivalents at End of Year	\$34,852
See Accompanying Notes to the General Purpose Financial Statements.	

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1999; was 1,734. The District employs 7 administrative and supervisory personnel, 91 certificated employees, and 56 non-certificated employees. Local school districts are supervised by the Madison/Champaign Educational Service Center, a separate entity.

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation - Fund Accounting

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

Governmental Fund Types:

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

General Fund

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

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for the annual payment of principal, interest and related costs on long-term general obligation debt. The District had no Debt Service Funds at the end of June 30, 2000.

Capital Projects Funds

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Funds

These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had no Internal Service Funds at the end of June 30, 2000.

Fiduciary Fund Types:

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

Trust Funds

Trust Funds are used to account for assets for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for and reported as governmental funds. The District had no trust funds at June 30, 2000.

Nonexpendable Trust Funds

These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no Nonexpendable Trust Funds at June 30, 2000.

Agency Funds

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Account Groups:

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

General Fixed Assets Account Group

This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary Funds.

General Long-Term Debt Account Group

This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

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

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

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

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

D. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for rate determination.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting

Estimated Resources

Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

Appropriations

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

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

Encumbrances

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

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

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments". During the fiscal year all investments were limited to STAR Ohio.

Investments are reported at cost except for investments in STAR Ohio which is reported at fair value. Fair value is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999-2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$87,029.

F. Inventories

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

G. Prepaid Items

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over a ten year estimated useful life of the assets.

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Special Revenue Funds

- Education Management Information System
- SchoolNet Grants

Non-Reimbursable Grants

Special Revenue Funds

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues (Continued)

Reimbursable Grants

Government Funds

Driver Education Reimbursement
Vocational Ed - Career Ed Grant
Tutor Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

J. Short-Term Interfund Receivables/Payables

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

K. Compensated Absences

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

For governmental funds, the District records a liability for accumulated unused sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned, with the amount reported as a fund liability.

The entire amount of compensated absences are expensed when earned and reported as a fund liability. The Board policy mandates vacation leave cannot be carried over to the succeeding year. The criteria for determining vested vacation and sick leave components are derived from negotiated agreements, State laws, and Board policy.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

Sick Leave: Each employee is entitled to fifteen (15) days sick leave with pay each year under contract and accrues sick leave at the rate of one and one-fourth (1 1/4) days for each calendar month under contract. Sick leave may be accumulated to a maximum of 245 days. Upon evidence of retirement and ten years of full-time service in the District, payment is paid for accumulated unused sick days in one lump sum up to one-fourth (1/4) of the value of unused sick leave to a maximum of forty-eight days.

Vacation Pay: Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Each employee is encouraged to use vacation leave as earned, and may not be accumulated.

Twelve month school support personnel accumulate vacation on the following factors:

<u>School Support Personnel</u>	<u>Vacation Leave</u>
After 1 Year	10 Days
10 or More Years	15 Days
20 or More Years	20 Days

The Superintendent and Treasurer earn twenty five days vacation annually, and building Principals earn thirty days vacation leave annually.

L. Contributed Capital

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

M. Long-Term Obligations

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

N. Interfund Transactions

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Equity

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

P. Statement of Cash Flows

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

Q. Memorandum Only - Total Columns

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

R. Restricted Cash

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

S. Estimates

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

2. CASH AND INVESTMENTS

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. CASH AND INVESTMENTS (Continued)

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$214,921 and the bank balance was \$253,698. Of the bank balance:

1. \$100,000 was covered by Federal Depository Insurance Corporation (FDIC) with the remaining protected by eligible securities pledged by the District's financial institution; and
2. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Unclassified	Carrying Amount	Fair Value
STAR Ohio	1,556,204	1,556,204	1,556,204

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. CASH AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No.9	1,771,125	0
Investments:		
STAR Ohio	(1,556,204)	1,556,204
GASB Statement No.3	<u>214,921</u>	<u>\$1,556,204</u>

3. BUDGETARY BASIS OF ACCOUNTING

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

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	General	Special Revenue	Capital Project
GAAP Basis	33,156	29,350	249,507
Increase(Decrease):			
Due to Revenues:			
Net adjustments to accruals	(71,143)	(28,699)	(5,191)
Due to Expenditures:			
Net adjustments to accruals	48,700	(3,748)	(257,308)
Due to others	<u>12,330</u>	<u>0</u>	<u>(12,330)</u>
Budget Basis	<u>23,044</u>	<u>(3,097)</u>	<u>(25,322)</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. PROPERTY TAX

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 26% of its true value, was reduced to 25% in 1993. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for the fiscal year ended June 30, 2000 was \$37.70 per \$1,000 of assessed valuation and \$2.4 per \$1,000 for Permanent Improvement. The assessed values of real and tangible personal property on which the 1999 taxes were collected were as follows:

Real Property	\$ 105,749,930	
Tangible Personal Property		<u>27,215,070</u>
Total Assessed Value		<u>\$ 132,965,000</u>

Uncollectible taxes outstanding, available to the District within 60 days after fiscal year end are recorded as receivables at June 30. The receivable is offset by a credit to deferred revenue since the receivables represent taxes recorded in advance of year for which they are intended to finance.

5. RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

5. RECEIVABLES (Continued)

A summary of the principal items of intergovernmental receivables follows:

Title I	\$ 33,966
Title II	2,546
Title VI	<u>1,756</u>
	\$ 38,268

6. DEFINED BENEFITS PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$159,144, \$142,212, and \$138,036, respectively; 35 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$104,579 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

6. DEFINED BENEFITS PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were: \$547,320, \$533,784, and \$500,100, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$91,916 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

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

7. POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,783 million at June 30, 1999 (the latest information available). The Health Care Reserve Fund allocation for the fiscal year 2000, will be 8% of covered payroll. For the District, this amount equaled \$141,250 during the 2000 fiscal year. For the fiscal year ended June 30, 1999, eligible benefit recipients totaled 95,796, and net health care costs paid by STRS were \$249,929,000.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

7. POSTEMPLOYMENT BENEFITS (Continued)

For this fiscal year employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$18,737 during the 2000 fiscal year. The number of participants currently receiving health care benefits is approximately 51,000. For the fiscal year ended June 30, 1999, net health care costs paid by SERS were \$126,380,984.

8. GRANTS

A. Grants

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

B. Litigation

The District had no pending litigation as of June 30, 2000.

9. LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2000</u>
Intergovernmental Payable	\$ 52,720	\$ 63,474	\$ 52,720	\$ 63,474
Notes Payable	19,301	0	7,987	11,314
Compensated Absences Payable	<u>503,349</u>	<u>17,901</u>	<u>0</u>	<u>521,250</u>
	<u>\$ 575,370</u>	<u>\$ 81,375</u>	<u>\$ 60,707</u>	<u>\$ 596,038</u>

Five year energy improvement notes were issued during fiscal year 1997. The annual maturities of the notes as of June 30, 2000, and related payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY01	7,987	0	7,987
FY02	<u>3,327</u>	<u>0</u>	<u>3,327</u>
	<u>\$ 11,314</u>	<u>\$ 0</u>	<u>\$ 11,314</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. SHORT-TERM DEBT

A summary of changes in short term obligations for the year ended June 30, 2000, are as follows:

	<u>Balance July 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2000</u>
Tax Anticipation Notes Payable	\$ 225,793	0	225,793	\$ 0

11. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Fund for the year ended June 30, 2000, are as follows:

	Lunchroom Fund
Operating Revenues:	298,066
Operating Expenses:	
Depreciation	312
Other	421,511
Total Operating Expenses	421,823
Operating Loss	(123,757)
Non Operating Revenues:	
Grants	88,578
Interest	2,201
Federal Commodities	31,956
Total Non Operating Revenues:	122,735
Net Loss	(1,022)
Contributed Capital	39,978
Current Assets	53,991
Current Liabilities	64,513
Net Working capital	(10,522)
Total Retained Earnings	(50,500)

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

12. FUND DEFICITS

Fund Deficit:

Fund balances at June 30 2000, included the following individual fund deficits:

Enterprise	\$ (50,500)	Retained Earnings
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The Enterprise fund deficit is due to accumulated operating losses.

13. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2000 the District paid \$15,808 to MEC.

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

14. RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$5,000,000 in the aggregate. In addition, the District maintains a \$300,000 employee benefits liability policy.

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. RISK MANAGEMENT (Continued)

A. General Risk (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the school district by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the GRP.

B. Health Insurance

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

15. FIXED ASSETS

The following is a summary of the proprietary funds property, plant, and equipment at June 30, 2000:

Furniture and Equipment	\$ 55,054
Less: Accumulated Depreciation	<u>(43,553)</u>
Net Fixed Assets	<u>\$ 11,501</u>

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year 2000:

	July 1, 1999	Additions	Deletions	June 30, 2000
Land	\$35,289	\$353,032	\$0	\$388,321
Building & Improvement	13,274,878	0	0	13,274,878
Equipment	755,306	238,058	36,361	957,003
Vehicles	<u>970,902</u>	<u>114,166</u>	<u>62,988</u>	<u>1,022,080</u>
	<u>\$15,036,375</u>	<u>\$705,256</u>	<u>\$99,349</u>	<u>\$15,642,282</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

16. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$4,659,192 of school foundation support for its general fund.

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

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

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

17. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1999	\$0	\$0	\$102,878	\$102,878
Current year set-aside requirement	190,359	190,359	63,453	444,171
Current year offsets	(23,370)	(190,359)	0	(213,729)
Qualifying disbursements	(166,989)	0	0	(166,989)
Set-aside Cash Balance as of June 30, 2000	<u>\$0</u>	<u>\$0</u>	<u>\$166,331</u>	<u>\$166,331</u>
Total Restricted Assets				<u>\$166,331</u>

Amounts of qualifying expenditures presented in the table, related to the textbook set aside, were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional qualifying expenditures during the year, the School District has chosen to not use this amount to reduce the set aside requirement of future years and is therefore not presented.

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STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

We have audited the financial statements of Jonathan Alder Local School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated November 3, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated November 3, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 3, 2000.

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

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

JIM PETRO
Auditor of State

November 3, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 5, 2000**