



**Auditor of State  
Betty Montgomery**



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) All Governmental Fund Types .....	6
Statement of Revenues, Expenses, and Changes in Fund Equity – Proprietary Fund Type .....	8
Statement of Revenues, Expenses and Changes in Fund Equity – Budget and Actual (Budget Basis) Proprietary Fund Type .....	9
Statement of Cash Flows – Proprietary Fund Type .....	10
Notes to the General Purpose Financial Statements.....	11
Schedule of Federal Awards Receipts and Expenditures.....	30
Notes to Schedule of Federal Awards Receipts and Expenditures .....	31
Independent Accountants' Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> .....	33
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	35
Schedule of Findings.....	37
Schedule of Prior Audit Findings.....	39

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

January 14, 2004

**Jonathan Alder Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2003**

	Governmental Fund Types				Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long Term Obligations	
<b>Assets and Other Debits:</b>									
Equity in Pooled Cash and Cash Equivalents	\$1,912,005	\$108,088	\$172,267	\$7,470,491	\$0	\$34,410	\$0	\$0	\$9,697,261
Restricted Cash	44,799	0	0	0	0	0	0	0	44,799
Investments	0	0	0	16,507,678	0	0	0	0	16,507,678
Taxes Receivables	3,472,177	0	578,352	370,059	0	0	0	0	4,420,588
Intergovernmental Receivables	0	114,127	0	0	12,493	0	0	0	126,620
Interfund Receivable	61,241	0	0	0	0	0	0	0	61,241
Inventory for Resale	0	0	0	0	8,094	0	0	0	8,094
Property, Plant, and Equipment	0	0	0	0	13,369	0	16,798,387	0	16,811,756
Amount Available in Debt Service								525,169	525,169
Amount to be Provided from General Government	0	0	0	0	0	0	0	25,148,689	25,148,689
<b>Total Assets and Other Debits</b>	<b>\$5,490,222</b>	<b>\$222,215</b>	<b>\$750,619</b>	<b>\$24,348,228</b>	<b>\$33,956</b>	<b>\$34,410</b>	<b>\$16,798,387</b>	<b>\$25,673,858</b>	<b>\$73,351,895</b>
<b>Liabilities:</b>									
Accounts Payable/Contracts Payable	51,554	1,014	0	303,140	550	0	0	0	356,258
Intergovernmental Payables	167,924	97	0	0	18,781	0	0	67,932	254,734
Accrued Salaries and Benefits	696,472	3,979	0	0	10,388	0	0	0	710,839
Deferred Revenue	2,590,274	85,006	225,450	303,395	0	0	0	0	3,204,125
Interfund Payable	0	50,539	0	0	10,702	0	0	0	61,241
Due to Students	0	0	0	0	0	34,410	0	0	34,410
General Obligation Bonds Payable	0	0	0	0	0	0	0	25,000,000	25,000,000
Compensated Absences Payable	38,110	0	0	0	17,565	0	0	605,926	661,601
<b>Total Liabilities</b>	<b>3,544,334</b>	<b>140,635</b>	<b>225,450</b>	<b>606,535</b>	<b>57,986</b>	<b>34,410</b>	<b>0</b>	<b>25,673,858</b>	<b>30,283,208</b>
<b>Fund Equity and Other Credits:</b>									
Investment in General Fixed Assets	0	0	0	0	0	0	16,798,387	0	16,798,387
Contributed Capital	0	0	0	0	39,978	0	0	0	39,978
Accumulated Deficit	0	0	0	0	(64,008)	0	0	0	(64,008)
<b>Fund Balances:</b>									
Reserved for Property Taxes	881,903	0	352,902	66,664	0	0	0	0	1,301,469
Reserved for Encumbrances	5,662	12,570	0	1,374,016	0	0	0	0	1,392,248
Reserved for Budget Stabilization	44,799	0	0	0	0	0	0	0	44,799
Unreserved Fund Balance	1,013,524	69,010	172,267	22,301,013	0	0	0	0	23,555,814
<b>Total Fund Balances</b>	<b>1,945,888</b>	<b>81,580</b>	<b>525,169</b>	<b>23,741,693</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26,294,330</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>1,945,888</b>	<b>81,580</b>	<b>525,169</b>	<b>23,741,693</b>	<b>(24,030)</b>	<b>0</b>	<b>16,798,387</b>	<b>0</b>	<b>43,068,687</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$5,490,222</b>	<b>\$222,215</b>	<b>\$750,619</b>	<b>\$24,348,228</b>	<b>\$33,956</b>	<b>\$34,410</b>	<b>\$16,798,387</b>	<b>\$25,673,858</b>	<b>\$73,351,895</b>

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types**  
**Year Ended June 30, 2003**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>REVENUES:</b>					
Intergovernmental	\$ 6,383,293	\$ 399,370	\$ 103,377	\$ 31,818	\$ 6,917,858
Taxes	3,917,509	0	1,033,238	306,042	5,256,789
Rent	1,003	0	0	0	1,003
Earnings on Investments	31,326	0	0	440,622	471,948
Extracurricular Activities	3,278	222,411	0	0	225,689
Tuition & Fees	81,433	0	0	0	81,433
Miscellaneous	81,767	46,045	414,494	6,350	548,656
<b>Total Revenues</b>	<b>10,499,609</b>	<b>667,826</b>	<b>1,551,109</b>	<b>784,832</b>	<b>13,503,376</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction</b>					
Regular Instruction	4,752,668	201,703	0	0	4,954,371
Special Instruction	533,482	196,826	0	0	730,308
Vocational Instruction/Other	106,782	0	0	0	106,782
<b>Supporting Services</b>					
Supporting Services - Pupils	638,766	176,783	0	0	815,549
Supporting Services - Instructional Staff	125,845	8,268	0	2,955	137,068
Supporting Services - Board of Education	26,923	0	0	0	26,923
Administration	935,843	3,551	0	0	939,394
Fiscal Services	1,162,196	1,569	19,773	7,646	1,191,184
Business Services	1,975	0	0	0	1,975
Operation & Maintenance - Plant	1,179,486	1,638	0	0	1,181,124
Pupil Transportation	710,814	389	0	0	711,203
Central	0	11,400	0	0	11,400
<b>Operation of Non-Instructional Services</b>					
Extracurricular Activities	172,711	151,696	0	0	324,407
Capital Outlay	0	0	0	2,365,130	2,365,130
<b>Debt Service</b>					
Debt Service - Principal	0	0	25,000,000	0	25,000,000
Debt Service - Interest	0	0	1,044,637	0	1,044,637
<b>Total Expenditures</b>	<b>10,347,491</b>	<b>753,823</b>	<b>26,064,410</b>	<b>2,375,731</b>	<b>39,541,455</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	152,118	(85,997)	(24,513,301)	(1,590,899)	(26,038,079)
<b>Other Financing Sources and (Uses):</b>					
Proceeds from Sale of Bonds	0	0	25,000,000	0	25,000,000
Transfers In	0	348	27,030	0	27,378
Transfers Out	(27,378)	0	0	0	(27,378)
<b>Net Other Financing Sources and (Uses)</b>	<b>(27,378)</b>	<b>348</b>	<b>25,027,030</b>	<b>0</b>	<b>25,000,000</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursements and Other Uses	124,740	(85,649)	513,729	(1,590,899)	(1,038,079)
Beginning Fund Balance	1,821,148	167,229	11,440	25,332,592	27,332,409
<b>Ending Fund Balance</b>	<b>\$ 1,945,888</b>	<b>\$ 81,580</b>	<b>\$ 525,169</b>	<b>\$ 23,741,693</b>	<b>\$ 26,294,330</b>

See Accompanying Notes to the General Purpose Financial Statements



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**Jonathan Alder Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Budget Basis)**  
**All Governmental Fund Types**  
**Year Ended June 30, 2003**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>						
Revenue from Local Sources:						
Intergovernmental	6,383,292	6,383,292	0	302,046	429,294	127,248
Taxes	4,154,240	4,154,240	0	0	0	0
Rent	1,003	1,003	0	0	0	0
Earnings on Investments	31,326	31,326	0	0	0	0
Extracurricular Activities	3,278	3,278	0	205,180	222,411	17,231
Gifts & Donations	0	0	0	0	0	0
Tuition & Fees	81,433	81,433	0	0	0	0
Miscellaneous	80,499	80,499	0	38,280	46,045	7,765
<b>Total Revenues</b>	<b>10,735,071</b>	<b>10,735,071</b>	<b>0</b>	<b>545,506</b>	<b>697,750</b>	<b>152,244</b>
<b>EXPENDITURES:</b>						
Current:						
Instruction						
Regular Instruction	5,264,625	5,165,670	98,955	285,423	210,156	75,267
Special Instruction	570,416	557,178	13,238	218,640	213,216	5,424
Vocational Instruction/Other	120,500	114,821	5,679	0	0	0
Supporting Services						
Supporting Services - Pupils	727,302	690,354	36,948	185,352	141,134	44,218
Supporting Services - Instructional Staff	121,575	117,933	3,642	25,555	8,276	17,279
Supporting Services - Board of Education	57,755	35,290	22,465	0	0	0
Administration	967,422	923,660	43,762	7,200	3,545	3,655
Fiscal Services	998,301	1,077,075	(78,774)	2,495	1,097	1,398
Business Services	1,975	1,975	0	0	0	0
Operation & Maintenance - Plant	971,716	939,984	31,732	1,638	1,638	0
Pupil Transportation	706,523	700,232	6,291	1,390	389	1,001
Central	0	0	0	0	11,400	(11,400)
Operation of Non-Instructional Services						
Extracurricular Activities	175,038	169,954	5,084	163,548	157,824	5,724
Capital Outlay	450,000	0	450,000	0	0	0
Debt Service						
Debt Service - Principal	0	0	0	0	0	0
Debt Service - Interest	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>11,133,148</b>	<b>10,494,126</b>	<b>639,022</b>	<b>891,241</b>	<b>748,675</b>	<b>142,566</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(398,077)	240,945	(639,022)	(345,735)	(50,925)	294,810
Other Financing Sources and Uses:						
Refund of Prior Year Expense	0	1,268	1,268	0	0	0
Proceeds from Short-Term Notes	0	0	0	0	0	0
Advances In	0	0	0	0	8,213	8,213
Advances Out	0	(8,213)	(8,213)	0	0	0
Transfers In	0	0	0	0	6,505	6,505
Transfers Out	(27,380)	(27,378)	2	0	(6,158)	(6,158)
<b>Net Other Financing Sources and Uses</b>	<b>(27,380)</b>	<b>(34,323)</b>	<b>(6,943)</b>	<b>0</b>	<b>8,560</b>	<b>8,560</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursements and Other Uses	(425,457)	206,622	(645,965)	(345,735)	(42,365)	303,370
Prior Year Carryover Encumbrances	34,117	34,117	0	11,661	11,661	0
Beginning Fund Balance	1,669,551	1,669,551	0	125,208	125,208	0
<b>Ending Fund Balance</b>	<b>\$1,278,211</b>	<b>\$1,910,290</b>	<b>(\$645,965)</b>	<b>\$ (208,866)</b>	<b>\$ 94,504</b>	<b>\$ 303,370</b>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Debt Service Fund			Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
88,377	88,377	0	31,818	31,818	0	6,805,533	6,932,781	127,248
687,406	795,336	107,930	403,972	306,042	(97,930)	5,245,618	5,255,618	10,000
0	0	0	0	0	0	1,018	1,003	(15)
0	0	0	440,622	440,622	0	471,948	471,948	0
0	0	0	0	0	0	208,475	225,689	17,214
0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	81,433	81,433	0
314,494	314,494	0	6,350	6,350	0	439,623	447,388	7,765
1,090,277	1,198,207	107,930	882,762	784,832	(97,930)	13,253,648	13,415,860	162,212
0	0	0	0	0	0	5,550,048	5,375,826	174,222
0	0	0	0	0	0	789,056	770,394	18,662
0	0	0	0	0	0	120,500	114,821	5,679
0	0	0	0	0	0	912,654	831,488	81,166
0	0	0	3,000	2,955	45	150,130	129,164	20,966
0	0	0	0	0	0	57,755	35,290	22,465
0	0	0	0	0	0	974,622	927,205	47,417
19,773	19,773	0	11,150	7,646	3,504	1,031,719	1,085,818	(54,099)
0	0	0	0	0	0	1,975	1,975	0
0	0	0	0	0	0	973,354	941,622	31,732
0	0	0	0	0	0	707,913	700,621	7,292
0	0	0	0	0	0	0	11,400	(11,400)
0	0	0	0	0	0	338,586	327,778	10,808
0	0	0	25,085,146	3,418,385	21,666,761	25,535,146	3,418,385	22,116,761
25,000,000	25,000,000	0	0	0	0	25,000,000	0	25,000,000
1,046,018	1,044,637	1,381	0	0	0	1,046,018	0	1,046,018
26,065,791	26,064,410	1,381	25,099,296	3,428,986	21,670,310	63,189,476	14,671,787	48,517,689
(24,975,514)	(24,866,203)	109,311	(24,216,534)	(2,644,154)	21,572,380	(49,935,828)	(1,255,927)	48,679,901
0	0	0	0	0	0	0	1,268	1,268
25,000,000	25,000,000	0	0	0	0	25,000,000	25,000,000	0
0	0	0	0	0	0	0	8,213	8,213
0	0	0	0	0	0	0	(8,213)	(8,213)
27,030	27,030	0	0	0	0	27,030	33,535	6,505
0	0	0	0	0	0	(27,380)	(33,536)	(6,156)
25,027,030	25,027,030	0	0	0	0	24,999,650	25,001,267	1,617
51,516	160,827	109,311	(24,216,534)	(2,644,154)	21,572,380	(24,936,178)	23,745,340	48,681,518
0	0	0	6,451	6,451	0	52,229	52,229	0
11,440	11,440	0	25,240,900	25,240,900	0	27,035,659	27,035,659	0
\$62,956	\$172,267	\$109,311	\$1,030,817	\$22,603,197	\$21,572,380	\$ 2,151,710	\$ 50,833,228	\$ 48,681,518

**Jonathan Alder Local School District**  
**Statement of Revenues, Expenses, and Changes in Fund Equity**  
**Proprietary Fund Type**  
**Year Ended June 30, 2003**

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	<u>Enterprise Fund</u>
Operating Revenues:	
Food Service	\$335,710
Other	800
Total Operating Revenues	<u>336,510</u>
Operating Expenses:	
Salaries	144,826
Employee Benefits	91,464
Purchased Services	101
Supplies and Materials	206,930
Depreciation	306
Total Operating Expenses	<u>443,627</u>
Operating Loss	(107,117)
Non-Operating Revenues and Expenses:	
State and Federal Grants-In-Aid	89,739
Federal Donated Commodities	34,025
Loss on Disposition of Fixed Assets	(2,310)
Total Non-Operating Revenues	<u>121,454</u>
Net Income	14,337
Beginning Accumulated Deficit	<u>(78,345)</u>
Ending Accumulated Deficit	(64,008)
Contributed Capital Beginning and End of the year	<u>39,978</u>
Fund Equity	<u><u>(\$24,030)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District**  
Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget and Actual (Budget Basis)  
Proprietary Fund Type  
Year Ended June 30, 2003

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	<b><i>ENTERPRISE FUND</i></b>		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b><i>Revenues:</i></b>			
Sales	\$335,710	\$335,710	\$0
Other	800	800	0
Federal and State Subsidies	88,936	88,936	0
<b>Total Revenues</b>	<b>425,446</b>	<b>425,446</b>	<b>0</b>
<b><i>Expenses:</i></b>			
Salaries	184,895	165,927	18,968
Materials and Supplies	195,100	173,286	21,814
Fringe Benefits	93,058	95,235	(2,177)
Purchased Services	2,000	1,074	926
Other	1,500	0	1,500
Capital Outlay	2,000	3,022	(1,022)
<b>Total Operating Expenses</b>	<b>478,553</b>	<b>438,544</b>	<b>40,009</b>
Excess of Revenues Over (Under) Expenses	(53,107)	(13,098)	40,009
Prior Year Carryover Encumbrances	800	800	0
Fund Equity at Beginning of Year	1,046	1,046	0
<b>Fund Equity at End of Year</b>	<b>(\$51,261)</b>	<b>(\$11,252)</b>	<b>\$40,009</b>

See accompanying notes to the general purpose financial statements

**Jonathan Alder Local School District**  
**Statement of Cash Flows**  
**Proprietary Fund Type**  
**Year Ended June 30, 2003**

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Operating Loss	(\$107,117)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Commodities (Non-Cash Transaction)	34,025
Depreciation	306
Net (Increase) Decrease in Assets:	
Inventory for Resale	382
Net Increase (Decrease) in Liabilities:	
Accounts Payable	(422)
Intergovernmental Payables	2,514
Interfund Payable	10,702
Accrued Wages and Benefits	(24,910)
Compensated Absences	(2,476)
Net Adjustments	19,357
Net Cash Used in Operating Activities	(87,760)
Cash Flows from Noncapital Financing Activities:	
Operating Grants from Federal Sources	88,936
Net Cash Provided by Noncapital Financing Activities	88,936
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(3,022)
Net Cash Used for Capital and Related Financing Activities	(3,022)
Net Decrease in Cash & Cash Equivalents	(1,846)
Cash and Cash Equivalents at Beginning of Year	1,846
Cash and Cash Equivalents at End of Year	\$0

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

Average daily membership (ADM) as of June 30, 2003 was 1845. The District employs 7 administrative and supervisory personnel, 100 certificated employees, and 63 non-certificated employees. The District collaborates for services with the Madison/Champaign Educational Service Center, a separate entity, for curricular services.

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

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

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

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

**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:

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation – Fund Accounting (Continued)

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.

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).

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

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 is the proprietary fund type:

Enterprise Funds – This fund is 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.

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. The District’s Fiduciary fund type is:

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

Account Groups

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



**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

B. Basis of Presentation – Fund Accounting (Continued)

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 Obligations 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 fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund 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 (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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 Jonathan Alder Local School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: tuition and grants.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified actual basis, receivables that will not be collected within the available period have been reported as deferred revenue.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

C. Measurement Focus/Basis of Accounting (Continued)

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

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

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 for the general fund is at the object level and for all other funds is at the fund level. 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.

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 2003.

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 object level of expenditures for the general fund and at the fund level for all other funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control. Any revisions that alter the object level appropriations within the general fund and fund appropriations for all other funds, 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.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

D. Budget and Budgetary Accounting (Continued)

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.

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. During the fiscal year all investments were limited to STAR Ohio, repurchase agreements, and governmental securities.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Nonparticipating investment contracts such as repurchase agreements are reported at cost. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2003.

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 \$31,326. Interest revenue was also credited to the Capital Project Funds in the amount of \$440,622.

F. Inventories

Inventories of the proprietary fund are stated at the lower of cost (first-in, first-out) or market. Cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventories of the proprietary fund consist of donated food, purchased food, and other items held for resale and are expensed when used.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

G. Restricted assets

Restricted Assets in the general fund represents cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts by statute to set-aside by the School District for the creation of a budget stabilization and textbooks and instructional material. See Note 15 for additional information regarding set-asides.

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. 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”.

J. 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 obligation account group. In proprietary funds, compensated absences are expensed when earned, with the amount reported as a fund liability.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

J. Compensated Absences (Continued)

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.

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

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

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

<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 earns thirty days vacation annually, building Principals earn twenty-five and the Treasurer earns twenty days vacation leave annually.

K. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. After fiscal year 2001, capital contributed received are recorded as revenues and are reported as retained earning. Capital contributions from other funds are still recorded as contributed capital.

L. 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 obligation account group. Long-term liabilities for proprietary fund operations are accounted for in those funds.

M. 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**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 1. Summary of Significant Accounting Policies (Continued)**

N. 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.

O. Statement of Cash Flows

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

P. 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.

Q. Estimates

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

**Note 2. Cash and Investments**

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

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

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

Protection of the 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.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 2. Cash and Investments (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time. Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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 \$254,067 and the bank balance was \$271,083. Of the bank balance, only \$100,000 was covered by Federal Depository Insurance Corporation (FDIC) and the remaining \$171,083 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 2. Cash and Investments (Continued)**

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.

	1	Category 2	3	Carrying Value
Repurchase Agreements	\$ 0		\$5,416,909	\$5,416,909
STAR Ohio	0	0	0	4,071,084
Government Securities	0	16,507,678	0	16,507,678
TOTAL	\$ 0	\$16,507,678	\$5,416,909	\$25,995,671

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$9,742,060	\$16,507,678
Investments:		
Repurchase Agreements	(5,416,909)	5,416,909
STAR Ohio	(4,071,084)	4,071,084
GASB Statement No. 3	\$254,067	\$25,995,671

**Note 3. Budgetary Basis of Accounting**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of accounting principles generally accepted in the United States of America (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).



**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 3. Budgetary Basis of Accounting (Continued)**

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

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

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$124,740	(\$85,649)	\$513,729	(\$1,590,899)
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	236,730	44,294	(352,902)	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(154,848)	( 1,010)	0	(1,053,256)
Budget Basis	<u>\$206,622</u>	<u>(\$42,365)</u>	<u>\$160,827</u>	<u>(\$2,644,155)</u>

**Excess of Revenues and Expense Over (Under) /Net Income  
Proprietary Fund Type**

	Enterprise
GAAP Basis	<u>\$14,337</u>
Increase (Decrease):	
Due to Revenues:	
Net Adjustments to Revenue Accruals	<u>(23,633)</u>
Due to Expenditures:	
Net Adjustments to Expenditure Accruals	(4,352)
Encumbrances	<u>550</u>
Budget Basis	<u><u>(\$13,098)</u></u>

**Note 4. Property Tax**

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

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 4. Property Tax (Continued)**

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 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, 2003 was \$49.00 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 2003 taxes were collected were as follows:

Real Property	\$167,284,010
Tangible Personal Property	<u>27,843,690</u>
 Total Assessed Value	 <u><u>\$195,127,700</u></u>

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 is reported as revenue. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003 was \$881,903 in the General Fund, \$66,664 in the Permanent Improvement Capital Project Fund, and \$352,902 in the Debt Service Fund.

**Note 5. Receivables**

Receivables at June 30, 2003, consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Title II-A	\$43,348
IDEA Part B	15,615
Title I	35,833
Title V	7,397
Safe and Drug Free Schools	3,074
Title II-D	1,556
Madison Co. Pact Grant	<u>7,304</u>
Total Special Revenue Funds	114,127
 Enterprise Fund	
Food Service	<u>12,493</u>
 Total Intergovernmental Receivables	 <u><u>\$126,620</u></u>

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 6. Defined Benefits Pension Plans**

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer school employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5833.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 8.17 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, 2003, 2002 and 2001 were \$198,876, \$191,988 and \$183,018, respectively; 47 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$47,544 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 13 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, 2003, 2002 and 2001 were: \$685,728, \$628,488 and \$588,420, respectively; 83 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$114,497 representing the unpaid contribution for fiscal year 2003, 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, 2003, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 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 one percent (1%) 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 \$3,011 million at June 30, 2002 (the latest information available). The Health Care Reserve Fund allocation for the fiscal year 2003, will be 1% of covered payroll. For the District, this amount equaled \$48,981 during the 2003 fiscal year.

For the fiscal year ended June 30, 2002, eligible benefit recipients totaled 105,300, and net health care costs paid by STRS were \$354,469,000.

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

For the fiscal year ended June 30, 2003 (the latest information available), employer contributions to fund health care benefits were 5.83 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 2003, 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. The target level for the health care reserve is 150% of the annual health care expenses. For the District, this amount equaled \$139,157 during the 2003 fiscal year. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002 net health care costs paid by SERS were \$182,946,777 and the target level was \$274.4 million.

**Note 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, 2003.

B. Litigation

The District had no pending litigation as of June 30, 2003.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 9. Long-Term Debt/Obligations**

During the fiscal year 2003, the School District issued \$25,000,000 in general obligation bonds for the purpose of building the Monroe Elementary School and a new high school. The bond anticipation notes that were issued during the prior fiscal year of 2002 were repaid at the issuance of the general obligation bonds.

A summary of changes in long-term obligations for the year ended June 30, 2003, are a follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Intergovernmental Payable	\$ 104,034	\$67,932	\$104,034	\$67,932
Notes Payable	25,000,000	0	25,000,000	0
General Obligation Bonds Payable	0	25,000,000	0	25,000,000
Compensated Absences Payable	597,794	8,132	0	605,926
	<u>\$25,701,828</u>	<u>\$25,076,064</u>	<u>\$25,104,034</u>	<u>\$25,673,858</u>

\*Additions and deletions of compensated absences are shown net because it is impracticable for the District to determine these amounts separately.

General Obligation Bonds: The District issued School Improvement and Classroom Facilities Bonds on September 4, 2002, in the amount of \$25,000,000 an average interest rate of 2 percent. The purpose of these bonds is to pay the local share of construction under the State of Ohio Classroom Facilities Assistance Program for constructing, furnishing and equipping educational facilities and for the repayment of bond anticipation notes issued for this project. The maturity date of the bonds is December 1, 2030.

The annual maturities of the general obligation bonds as of June 30, 2003, and related interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY 2004	\$215,000	\$1,073,418	\$1,288,418
FY 2005	420,000	1,067,068	1,487,068
FY 2006	480,000	1,057,948	1,537,948
FY 2007	345,070	1,242,958	1,588,028
FY 2008	319,902	1,283,126	1,603,028
FY 2009 - 2013	2,940,028	5,796,422	8,736,450
FY 2014 - 2018	4,185,000	4,416,184	8,601,184
FY 2019 - 2023	5,040,000	3,397,023	8,437,023
FY 2024 - 2028	6,395,000	1,995,125	8,390,125
FY 2029 - 2031	4,660,000	357,000	5,017,000
Total	<u>\$25,000,000</u>	<u>\$21,686,272</u>	<u>\$46,686,272</u>

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 10. Accountability**

A. Accountability

At June 30, 2003 the following funds had deficit fund balances/accumulated deficit:

Title VI-R	\$ (3,152)
Title VI-B	(11,459)
Food Service	(64,008)

These fund balances were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The deficit in the food service enterprise fund is a result of lunch prices not covering operational costs. The District will continue to monitor this deficit and raise lunch prices to alleviate this deficit, if necessary.

B. Compliance

1. The following fund had a negative cash fund balance at June 30, 2003:

Food Service	\$ (10,702)
--------------	-------------

2. The District's non-payroll transactions were not always certified by the Treasurer prior to the commitment being incurred.
3. Expenditures exceeded appropriations for fiscal services in the General fund by \$78,774.

**Note 11. Jointly Governed Organizations**

Metropolitan Education Council – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2003 the District paid \$37,606 to MEC for services provided. To obtain financial information write the Treasurer at MEC, 1300 Dublin Road, Columbus, Ohio 43215.

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.

**Note 12. Risk Management**

A. General Risk

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

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

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

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 12. Risk Management (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

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

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

C. Health Insurance

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

**Note 13. Fixed Assets**

The following is a summary of the proprietary funds property, plant, and equipment at June 30, 2003:

Furniture and Equipment	\$54,600
Less: Accumulated Depreciation	<u>(41,231)</u>
Net Fixed Assets	<u>\$13,369</u>

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year 2003:

	<u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2003</u>
Land	\$388,321	0	0	\$388,321
Building & Improvement	13,346,599	239,682	0	13,586,281
Equipment	1,190,066	225,398	67,481	1,347,983
Vehicles	1,266,490	0	0	1,266,490
Construction in Progress	0	209,312	0	209,312
	<u>\$16,191,476</u>	<u>\$674,392</u>	<u>\$67,481</u>	<u>\$16,798,387</u>

**Note 14. School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**Jonathan Alder Local School District**  
**Notes to the General Purpose Financial Statements**  
**June 30, 2003**

**Note 15. Set-Aside Calculations and Fund Reserves**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2002	\$0	\$0	\$ 44,799	\$ 44,799
Current year set-aside requirement	218,580	218,580	0	437,160
Qualifying disbursements	(218,580)	(218,580)	0	(437,160)
Set-aside Cash Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$44,799</u>	<u>\$44,799</u>
Total Restricted Assets				<u>\$44,799</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero.

**Note 16. Interfund Activity**

Interfund balances at June 30, 2003, consist of the following individual fund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$61,241	\$0
Special Revenue Funds:		
Title VI-R	0	23,799
Title VI-B	0	11,459
Madison Co. Pact Grant	0	15,281
Proprietary Funds:		
Food Services	0	10,702
Total All Funds	<u>\$61,241</u>	<u>\$61,241</u>



**Jonathan Alder Local School District  
Notes to the General Purpose Financial Statements  
June 30, 2003**

**Note 17. Construction Commitments**

As of June 30, 2003, the District had the following commitments with respect to capital projects:

Company	Amount Remaining	Company	Amount Remaining
Charter Hill Construction	\$2,819,373	International Masonry, Inc.	2,002,945
Gutridge Plumbing	353,750	Apex M&P Construction	5,270,000
Howard's Sheet Metal	2,439,800	Settle Muter Electric	1,648,100
Royal Electric	585,900	General Temperature Controls	761,185
Fayette Fire & Safety	106,146	Dalmation Fire, Inc.	207,293
Trucco Construction	217,364	Performance Site Management	422,867
Valley Interior Systems	63,660	Hilliard Glass	103,037
Dupont Flooring System	521,231		

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<i>Passed Through Ohio Department of Education:</i>							
Nutrition Cluster:							
Food Distribution Program		2003	10.550	\$0	\$34,025	\$0	\$34,025
National School Lunch Program	048264-LL-P4	2002	10.555	22,194	0	22,194	0
		2003		63,025	0	63,025	0
<b>Total U.S. Department of Agriculture - Nutrition Cluster</b>				<b>85,219</b>	<b>34,025</b>	<b>85,219</b>	<b>34,025</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>							
<i>Passed Through Ohio Department of Education:</i>							
Special Education Grants to States (IDEA Part B)	048264-6B-SF	2002	84.027	0	0	7,006	0
		2003		156,166	0	167,625	0
Total Special Education Grants to States (IDEA Part B)				156,166	0	174,631	0
Grants to Local Educational Agencies (ESEA Title I)	048264-C1-S1	2001	84.010	0	0	2,084	0
		2002		31,272	0	33,501	0
		2003		103,067	0	97,729	0
Total Grants to Local Educational Agencies (ESEA Title I)				134,339	0	133,314	0
Drug-Free Schools Grant	048264-DR-S1	2001	84.186	(30)	0	300	0
		2002		(919)	0	0	0
		2003		8,051	0	7,867	0
Total Drug-Free Schools Grant				7,102	0	8,167	0
Title V - Innovative Education Strategies Program	048264-C2-S1	2002	84.298	4,857	0	6,610	0
		2003		5,115	0	2,743	0
Total Title V - Innovative Education Strategies Program				9,972	0	9,353	0
Title II D - Technology Fund	048264-TJ-S1	2003	84.318	2,247	0	1,661	0
School Renovation, Idea and Technology Grants	048264-TJ-S1	2003	84.352	2,170	0	2,170	0
Title II A - State Grants for Improving Teaching Quality	048264-TR-S1	2000	84.367	0	0	0	0
		2001		0	0	1,400	0
		2002		0	0	16,684	0
		2003		46,079	0	62,798	0
Total Title II A - State Grants for Improving Teaching Quality				46,079	0	80,882	0
<b>Total U.S. Department of Education</b>				<b>358,075</b>	<b>0</b>	<b>410,178</b>	<b>0</b>
<b>Total</b>				<b>\$443,294</b>	<b>\$34,025</b>	<b>\$495,397</b>	<b>\$34,025</b>

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

This nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.

**NOTE C - REFUND OF PRIOR YEAR RECEIPTS TO THE OHIO DEPARTMENT OF EDUCATION**

The Schedule includes negative receipt amounts for refund of prior year receipts to the Ohio Department of Education. These refunds are due to the expiration of period of availability and are as follows:

<b>Grant</b>	<b>CFDA Number</b>	<b>Grant Year</b>	<b>Amount of Repayment</b>
Drug Free Schools Grant	84.186	2001	\$30
Drug Free Schools Grant	84.186	2002	919
Total			\$ 949

**NOTE D - TRANSFER BETWEEN SPECIAL COST CENTER**

The US Department of Education (USDOE) makes grant awards available to the Ohio Department of Education (ODE), in general, for a period of 27 months. During that time, ODE is required to comply with program regulations and grant funds to local educational agencies for use in programs conducted in their local area. Using the same time frame as granted by the USDOE, ODE would award formula grants under the ESEA for a period of 27 months for all grants except Title I Basic Grants to States.

Each year beginning July 1, USDOE would provide another grant award to ODE for subgranting to local agencies. This created an overlap of grant awards to local agencies where up to 3 grant programs could be operating at the same time for exactly the same purpose. Under this scenario, each grant program was treated separately with separate reporting and management requirements.

Beginning July 2002, a revised process was instituted by ODE to fund grants on a yearly cycle. For effective management of the grant projects from the USDOE, ODE chose this method for several reasons. First, a July 1 to June 30 fiscal period for each project aligns the project periods for all Federal and State projects as well as puts the projects on the same timing as the school's fiscal year mandated by the Ohio Revised Code. Second, this system permits the local educational agency to manage only one project from ODE rather than 3 under the previous system.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**NOTE D - TRANSFER BETWEEN SPECIAL COST CENTER (Continued)**

The transfers between cost centers are as follows:

Grant	CFDA Number	Transfer Out	Special Cost Center	Transfer In	Special Cost Center
Grants to Local Educational Agencies (ESEA Title I)	84.010	\$1,502	572-9002	\$1,502	572-9003
Drug Free Schools Grant	84.186	\$1,902	584-9002	\$1,902	584-9003

**NOTE E - TRANSFERS DUE TO ELIMINATION OF CFDA's**

Starting July 1, 2003, the Ohio Department of Education (ODE) combined the following CFDA numbers; 84.281 and 84.340, into CFDA 84.367. The ODE required that the funds carried over from grant year 2002 be transferred to the CFDA 84.367. The following table indicates the funds the District transferred between the aforementioned CFDA numbers for year end June 30, 2003:

Grant	CFDA Number	Transfer In/(Out)
Eisenhower Professional Development State Grants – Title II, Part B	84.281	\$ (2,753)
Title II A – State Grants for Improving Teaching Quality	84.367	\$ 2,753



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the general purpose financial statements of the Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 14, 2004.

#### **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 certain 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 January 14, 2004.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Jonathan Alder Local School District  
Madison County  
Independent Accountants' 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, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

January 14, 2004



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

We have audited the compliance of the Jonathan Alder Local School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

#### Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable its major federal program for the year ended June 30, 2003.

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
**Auditor of State**

January 14, 2004



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2003**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Special Education Grants to States (IDEA Part B) - CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A > \$300,000 Type B – all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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Finding Number	2003-001
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**Certification of Expenditures**

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2003  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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Finding Number	2003-001 (Continued)
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**Certification of Expenditures**

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without the affirmation of Board, if such expenditure is otherwise valid.

Forty-three percent of the transactions tested were not certified by the Treasurer prior to the commitment being incurred, nor were they certified using a then-and-now certification. This procedure is not only required by Ohio law, but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

Finding Number	2003-002
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**Negative Fund Balances**

Ohio Rev. Code Section 5705.10 requires that monies paid into any fund be used only for the purposes for which such fund is established.

The District had a negative cash fund balance in the following fund at year end:

Fund Number	Fund Name	Fund Balance
006	Food Service	\$(10,702)

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Rev. Code.

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
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None

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDING  
JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-10649-001	Extracurricular Activities Completion and Retention of Applicable Forms	Yes	Corrected. District completed and retained applicable forms in regards to extracurricular activities.

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**Auditor of State  
Betty Montgomery**

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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  
MARCH 9, 2004**