

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 1999

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	
FINANCIAL SECTION	
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	1
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - All Governmental Fund Types	4
Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type	7
Statement of Cash Flows - Proprietary Fund Type	8
Notes to the General Purpose Financial Statements	9
Report of Independent Accountants on Compliance And on Internal Control Required by <i>Government Auditing Standards</i>	35

This Page Intentionally Left Blank

Jonathan Alder Local School District



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 1999 as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Jonathan Alder Local School District, Madison County, Ohio, as of June 30, 1999 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 1999 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.


JIM PETRO
Auditor of State

December 6, 1999

Jonathan Alder Local School District

GENERAL PURPOSE FINANCIAL STATEMENT

of the

Jonathan Alder Local School District

for the

Fiscal Year Ended June 30, 1999

Jonathan Alder Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals 1999 (Memorandum Only)
	General	Special Revenue	Capital Project	Enterprise	Trust and Agency	Fixed Assets	General		Long Term Debt			
							General	Fixed Assets				
Assets and Other Debits:												
Equity in Pooled Cash and Investments	\$1,332,999	123,050	45,777	39,184	17,055				0	0	0	\$1,558,065
Restricted Cash	131,412	0	0	0	0				0	0	0	131,412
Taxes Receivables	3,197,338	0	220,793	0	0				0	0	0	3,418,131
Accounts Receivable	3,401	2,208	0	0	307				0	0	0	5,916
Intergovernmental Receivables	0	9,791	0	0	0				0	0	0	9,791
Interfund Receivables	12,330	0	0	0	0				0	0	0	12,330
Inventory for Resale	0	0	0	0	0		7,834	0	0	0	0	7,834
Inventory	0	0	0	0	0		1,110	0	0	0	0	1,110
Prepaid Expenses	15,836	0	0	0	0		0	0	0	0	0	15,836
Property, Plant, and Equipment, net of depreciation	0	0	0	0	0		11,814	0	15,036,375	0	0	15,048,189
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0		0	0	0	0	0	575,370
Total Assets and Other Debits	\$4,693,316	135,049	266,570	59,942	17,362		15,036,375	575,370	575,370	575,370	575,370	\$20,783,984

(Continued)

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups, Continued
 June 30, 1999

	Governmental Fund Types						Proprietary Fund Type			Fiduciary Fund Type			Account Groups			Totals 1999
	General	Special Revenue	Capital Project	Enterprise	Trust and Agency	General Fixed Assets	General Long Term Debt							(Memorandum Only)		
Liabilities:																
Accounts Payable	\$29,108	9,789	8,638	188	0	0	0	0	0	0	0	0	0	0	0	\$47,723
Interfund Payable	0	0	12,330	0	0	0	0	0	0	0	0	0	0	0	0	12,330
Intergovernmental Payables	129,867	0	0	15,877	0	0	0	0	0	0	0	0	0	52,720	0	198,464
Accrued Salaries and Benefits	623,991	0	0	30,402	0	0	0	0	0	0	0	0	0	0	0	654,393
Deferred Revenue	2,223,279	0	144,710	5,396	0	0	0	0	0	0	0	0	0	0	0	2,373,385
Due to Students	0	0	0	0	17,362	0	0	0	0	0	0	0	0	0	0	17,362
General Obligation Notes Payable	0	0	225,793	0	0	0	0	0	0	0	0	0	0	19,301	0	245,094
Accrued Interest Payable	0	0	1,008	0	0	0	0	0	0	0	0	0	0	0	0	1,008
Compensated Absences Payable	62,186	0	0	17,579	0	0	0	0	0	0	0	0	0	503,349	0	583,114
Total Liabilities	3,068,431	9,789	392,479	69,442	17,362	0	575,370	0	15,036,375	0	0	0	0	0	0	4,132,873
Fund Equity and Other Credits:																
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Contributed Capital	0	0	0	39,978	0	0	0	0	0	0	0	0	0	0	0	39,978
Retained Earnings	0	0	0	(49,478)	0	0	0	0	0	0	0	0	0	0	0	(49,478)
Fund Balances:																
Reserved for Future Appropriation	974,059	0	76,083	0	0	0	0	0	0	0	0	0	0	0	0	1,050,142
Reserved for Encumbrances	36,936	21,917	12,015	0	0	0	0	0	0	0	0	0	0	0	0	70,868
Reserved for Budget Stabilization	131,412	0	0	0	0	0	0	0	0	0	0	0	0	0	0	131,412
Unreserved Fund Balance	482,478	103,343	(214,007)	0	0	0	0	0	0	0	0	0	0	0	0	371,814
Total Fund Balances	1,624,885	125,260	(125,909)	0	0	0	0	0	15,036,375	0	0	0	0	0	0	1,624,236
Total Fund Balances/Retained Earnings and Other Credits	1,624,885	125,260	(125,909)	(9,500)	0	0	15,036,375	0	0	0	0	0	0	0	0	16,651,111
Total Liabilities, Fund Equity, and Other Credits	\$4,693,316	135,049	266,570	59,942	17,362	0	575,370	0	15,036,375	0	0	0	0	0	0	\$20,783,984

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types Funds
Year Ended June 30, 1999

	Governmental Fund Types			Totals
	General	Special Revenue	Capital Project	(Memorandum (Only))
REVENUES:				
Revenue from Local Sources				
Taxes	\$3,328,479	0	266,610	\$3,595,089
Rent	2,964	0	0	2,964
Earnings on Investments	89,963	0	0	89,963
Extracurricular Activities	0	202,057	0	202,057
Classroom Materials & Fees	71,467	0	0	71,467
Miscellaneous	23,649	40,395	0	64,044
Intergovernmental	4,669,914	159,364	583,876	5,413,154
Total Revenue	8,186,436	401,816	850,486	9,438,738
EXPENDITURES:				
Current:				
Instruction				
Regular Instruction	3,809,046	1,319	0	3,810,365
Special Instruction	273,007	80,173	0	353,180
Vocational Instruction/Other	79,875	1,682	0	81,557
Supporting Services				
Supporting Services-Pupils	371,849	166,510	0	538,359
Supporting Services-Instructional Staff	66,027	10,053	226,737	302,817
Supporting Services-Board of Education	34,054	0	0	34,054
Supporting Services-Administration	783,521	0	0	783,521
Fiscal Services	837,398	0	8,112	845,510
Business Services	2,844	0	0	2,844
Operation & Maintenance-Plant	736,851	0	0	736,851
Supporting Services-Pupil Transportation	503,594	469	0	504,063
Operation of Non-Instructional Services				
Extracurricular Activities	145,690	112,055	0	257,745
Capital Outlay				
Other Facility Acq. & Construction	31,890	0	561,428	593,318
Debt Service				
Debt Service-Principal	7,986	0	0	7,986
Debt Service-Interest	0	0	17,080	17,080
Total Expenditures	7,683,632	372,261	813,357	8,869,250
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	502,804	29,555	37,129	569,488
Other Financing Sources and Uses:				
Other Receipts	933	27,705	0	28,638
Advances In	12,330	0	0	12,330
Transfers In	0	8,125	11,982	20,107
Advances Out	0	0	(12,330)	(12,330)
Transfers Out	(20,107)	0	0	(20,107)
Net Other Financing Sources and Uses	(6,844)	35,830	(348)	28,638
Excess (Deficiency) of Revenue Receipts				
and Other Sources Over (Under) Expenditure				
Disbursement and Other Uses	495,960	65,385	36,781	598,126
Beginning Fund Balance	1,128,925	59,875	(162,690)	1,026,110
Ending Fund Balance	\$1,624,885	125,260	(125,909)	\$1,624,236

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$3,267,729	3,363,105	95,376	0	0	\$0
Intergovernmental	4,578,701	4,669,914	91,213	162,103	162,103	0
Earnings on Investment	70,000	89,963	19,963	0	0	0
Tuition and Fees	59,900	70,392	10,492	0	0	0
Rent	1,764	2,964	1,200	0	0	0
Extracurricular Activities	0	0	0	200,103	201,636	1,533
Miscellaneous	22,026	23,649	1,623	38,675	40,395	1,720
Total Revenue	8,000,120	8,219,987	219,867	400,881	404,134	3,253
Expenditures:						
Regular Instruction	3,831,760	3,761,723	70,037	1,999	1,462	537
Special Instruction	293,487	286,616	6,871	102,730	94,185	8,545
Vocational Instruction	83,135	81,504	1,631	0	0	0
Other Instruction	0	0	0	5,000	1,682	3,318
Support Services-Pupils	384,969	367,381	17,588	180,344	171,383	8,961
Support Services-Instructional Staff	92,295	73,869	18,426	38,268	28,780	9,488
Support Services-Board of Education	60,550	34,329	26,221	0	0	0
Support Services-Administration	789,918	755,359	34,559	1,055	1,036	19
Fiscal Services	859,143	836,844	22,299	0	0	0
Business Services	5,500	2,844	2,656	0	0	0
Operation & Maintenance-Plant	736,919	732,233	4,686	0	0	0
Support Services-Transportation	537,979	492,930	45,049	469	469	0
Support Services-Central	0	0	0	14,426	0	14,426
Extracurricular Activities	155,557	150,127	5,430	106,494	107,514	(1,020)
Other Facilities, Acq. & Construction	300,000	31,890	268,110	0	0	0
Repayment of Debt-Principal	0	0	0	0	0	0
Repayment of Debt-Interest	7,987	7,987	0	0	0	0
Total Expenditures	8,139,199	7,615,636	523,563	450,785	406,511	44,274
Excess of Revenue Over (Under) Expenditures	(139,079)	604,351	743,430	(49,904)	(2,377)	47,527
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	8,125	8,125	0
Other Financing Sources	607	933	326	27,705	27,705	0
Operating Transfers-Out	0	(20,107)	(20,107)	0	0	0
Total Other Sources (Uses)	607	(19,174)	(19,781)	35,830	35,830	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(138,472)	585,177	723,649	(14,074)	33,453	47,527
Beginning Fund Balance	808,953	808,953	0	54,827	54,827	0
Prior Year Carry Over Encumbrances	24,876	24,876	0	11,070	11,070	0
Ending Fund Balance	\$695,357	1,419,006	723,649	51,823	99,350	\$47,527

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 1999

	Debt Service Fund			Capital Project Funds		
	Revised Budget	Actual	Variance	Revised Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues:						
Taxes	\$99,800	99,804	4	154,313	155,485	\$1,172
Intergovernmental	8,000	8,041	41	579,765	575,836	(3,929)
Interest	0	0	0	0	0	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Total Revenue	107,800	107,845	45	734,078	731,321	(2,757)
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	264,849	238,740	26,109
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	2,181	2,181	0	5,829	5,930	(101)
Business Services	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Other Facilities, Acq. & Construction	0	0	0	585,778	585,778	0
Repayment of Debt-Principal	214,306	214,306	0	0	0	0
Repayment of Debt-Interest	17,847	17,846	1	0	0	0
Total Expenditures	234,334	234,333	1	856,456	830,448	26,008
Excess of Revenue Over (Under) Expenditures	(126,534)	(126,488)	46	(122,378)	(99,127)	23,251
Other Financing Sources (Uses):						
Operating Transfers In	0	0	0	11,982	11,982	0
Other Financing Sources	0	0	0	0	0	0
Operating Transfers-Out	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	11,982	11,982	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(126,534)	(126,488)	46	(110,396)	(87,145)	23,251
Beginning Fund Balance	131,673	131,673	0	18,138	18,138	0
Prior Year Carry Over Encumbrances	0	0	0	92,246	92,246	0
Ending Fund Balance	\$5,139	5,185	46	(12)	23,239	\$23,251

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types - Continued
Year Ended June 30, 1999

Totals (Memorandum Only)			
	Revised		Variance
	Budget	Actual	Favorable
			(Unfavorable)
Revenues:			
Taxes	\$3,521,842	3,618,394	\$96,552
Intergovernmental	5,328,569	5,415,894	87,325
Interest	70,000	89,963	19,963
Tuition and Fees	59,900	70,392	10,492
Rent	1,764	2,964	1,200
Extracurricular Activities	200,103	201,636	1,533
Miscellaneous	60,701	64,044	3,343
Total Revenue	9,242,879	9,463,287	220,408
Expenditures:			
Regular Instruction	3,833,759	3,763,185	70,574
Special Instruction	396,217	380,801	15,416
Vocational Instruction	83,135	81,504	1,631
Other Instruction	5,000	1,682	3,318
Support Services-Pupils	565,313	538,764	26,549
Support Services-Instructional Staff	395,412	341,389	54,023
Support Services-Board of Education	60,550	34,329	26,221
Support Services-Administration	790,973	756,395	34,578
Fiscal Services	867,153	844,955	22,198
Business Services	5,500	2,844	2,656
Operation & Maintenance-Plant	736,919	732,233	4,686
Support Services-Transportation	538,448	493,399	45,049
Support Services-Central	14,426	0	14,426
Extra Curricular Activities	262,051	257,641	4,410
Other Facilities, Acq. & Construction	885,778	617,668	268,110
Repayment of Debt-Principal	214,306	214,306	0
Repayment of Debt-Interest	25,834	25,833	1
Total Expenditures	9,680,774	9,086,928	593,846
Excess of Revenue Over (Under) Expenditures	(437,895)	376,359	814,254
Other Financing Sources (Uses):			
Operating Transfers In	20,107	20,107	0
Other Financing Sources	28,312	28,638	326
Operating Transfers-Out	0	(20,107)	(20,107)
Total Other Sources (Uses)	48,419	28,638	(19,781)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
and Other Financing Uses	(389,476)	404,997	794,473
Beginning Fund Balance	1,013,591	1,013,591	0
Prior Year Carry Over Encumbrances	128,192	128,192	0
Ending Fund Balance	\$752,307	1,546,780	\$794,473

See Accompanying Notes to the General Purpose Financial Statements.

**Jonathan Alder Local School District
Statement of Revenues, Expenses, and Changes in Retained Earnings
Proprietary Fund Type
Year Ended June 30, 1999**

	Enterprise Fund
Operating Revenues:	
Food Service	\$293,367
Total Operating Revenue	293,367
Operating Expenses:	
Personal Services - Salary	152,655
Employee Benefits	71,880
Purchased Services	999
Supplies and Materials	193,337
Depreciation	3,480
Other Expenses	30
Total Operating Expenses	422,381
Operating Loss	(129,014)
Non-Operating Revenues:	
State and Federal Grants-in-Aid	85,411
Federal Donated Commodities	24,257
Total Non-Operating Revenue	109,668
Net Loss	(19,346)
Beginning Retained Earnings	(30,132)
Retained Earnings at End of Year	\$(49,478)

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, 1999**

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities	
Operating Loss	\$(129,014)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities:	
Depreciation	3,480
Net (Increase) Decrease in Assets:	
Inventory	(116)
Inventory for Resale	307
Net Increase (Decrease) in Liabilities:	
Intergovernmental Payable	3,450
Accounts Payable	188
Accrued Wages and Benefits	6,906
Deferred Revenue	(390)
Compensated Absences	5,346
Net Adjustments	<u>19,171</u>
Net Cash Used in Operating Activities	(109,843)
Cash Flows from Noncapital Financing Activities:	
Federal Donated Commodities	24,257
Operating Grants from Federal Sources	<u>85,411</u>
Net Cash Provided by Non-capital Financing Sources	109,668
Net Decrease in Cash & Cash Equivalents	(175)
Cash and Cash Equivalents at Beginning of Year	<u>39,359</u>
Cash and Cash Equivalents at End of Year	<u><u>\$39,184</u></u>
See Accompanying Notes to the General Purpose Financial Statements.	

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1998; was 1,660. The District employs 7 administrative and supervisory personnel, 91 certificated employees, and 56 non-certificated employees. Local school districts are supervised by the Madison County Educational Service Center, a separate entity.

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

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has assumed responsibility to

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

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

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

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

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

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

L. Contributed Capital

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

M. Long-Term Obligations

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Proprietary Fund Types

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

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The District had no Internal Service Funds at the end of June 30, 1999.

Fiduciary Fund Types

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

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

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District had no Nonexpendable Trust Funds at June 30, 1999.

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, 1999

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

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

C. Measurement Focus/Basis of Accounting

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

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

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

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

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

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

D. Budget and Budgetary Accounting

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

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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 1999.

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

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

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

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.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

E. Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1998-99. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

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 \$89,963.

F. Inventories

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

H. Fixed Assets

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

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

I. Intergovernmental Revenues

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

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

Entitlements

General Fund

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

Special Revenue Funds

Education Management Information System
Capital Projects
SchoolNet Grants

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Non-Reimbursable Grants

Special Revenue Funds

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

Reimbursable Grants

Government Funds

Driver Education Reimbursement
Vocational Ed - Career Ed Grant
Tutor Reimbursement

Proprietary Funds

National School Lunch Program
Government Donated Commodities

J. Short-Term Interfund Receivables/Payables

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

K. Compensated Absences

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

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

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

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

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

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

L. Contributed Capital

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

M. Long-Term Obligations

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

N. Interfund Transactions

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

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

O. Fund Equity

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

P. Statement of Cash Flows

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

Q. Memorandum Only - Total Columns

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

R. Restricted Cash

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

S. Estimates

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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 \$(2,054) and the bank balance was \$20,217. Of the bank balance:

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

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Unclassified	Carrying Amount	Fair Value
STAR Ohio	1,691,531	1,691,531	1,691,531

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	1,689,477	0
Investments:		
STAR Ohio	(1,691,531)	1,691,531
GASB Statement No.3	(2,054)	\$ 1,691,531

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$ 495,960	\$ 65,385	\$ -	\$ 36,781
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	33,551	2,318	107,845	(119,165)
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	67,995	(34,250)	(234,333)	(17,092)
Due to Other	(12,330)	-	-	12,330
Budget Basis	\$ 585,176	\$ 33,453	\$ (126,488)	\$ (87,146)

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 that preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due in March. If paid semi-annually, the first payment is due in March, with the remainder payable in August.

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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, 1999 was \$37.70 per \$1,000 of assessed valuation and \$2.4 per \$1,000 for Permanent Improvement. The assessed values of real and tangible personal property on which the 1998 taxes were collected were as follows:

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

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

Note 5. Receivables

Receivables at June 30, 1999, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Title I	\$ 9,403
Curricular Pathways	388

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 6. Defined Benefits Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$142,212, \$138,036, and \$144,210, respectively; 38 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$89,326 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$533,784, \$500,100, and \$468,372, respectively; 84 percent has been contributed for fiscal year 1999 and 100

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

percent for the fiscal years 1998 and 1997. \$90,524 representing the unpaid contribution for fiscal year 1999, 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, 1999, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

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 two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$2,156 million at June 30, 1998 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 1998, will be 3.5% of covered payroll. For the District, this amount equaled \$131,232 during the 1999 fiscal year. For the fiscal year ended June 30, 1998, eligible benefit recipients totaled 91,999, and net health care costs paid by STRS were \$219,224,000.

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, 1998 (the latest information available), employer contributions to fund health care benefits were 4.98 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 1998, the minimum pay has been established at \$12,400. The

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$16,024 during the 1999 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

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, 1999.

B. Litigation

The District had no pending litigation as of June 30, 1999.

Note 9. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Intergovernmental Payable	\$ 58,082	\$ 52,720	\$ 58,082	\$ 52,720
Notes Payable	27,287	0	7,986	19,301
Compensated Absences Payable	<u>477,669</u>	<u>25,680</u>	<u>0</u>	<u>503,349</u>
	<u>\$ 563,038</u>	<u>\$ 78,400</u>	<u>\$ 66,068</u>	<u>\$ 575,370</u>

Five year energy improvement notes were issued during fiscal year 1997. The annual maturities of the notes as of June 30, 1999, and related payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY00	7,987	0	7,987
FY01	7,987	0	7,987
FY02	<u>3,326</u>	<u>0</u>	<u>3,326</u>
	<u>\$ 19,300</u>	<u>\$ 0</u>	<u>\$ 19,300</u>

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 10. Short-Term Debt

A summary of changes in short term obligations for the year ended June 30, 1999, are as follows:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Tax Anticipation Notes Payable	\$ 440,099	0	214,306	\$ 225,793

The \$225,793 of outstanding tax anticipation notes relate to a project in 1995, for which notes were issued for the purpose of permanent improvements to the Canaan Middle School. The annual maturities of the tax anticipation notes as of June 30, 1999, and related payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
FY00	\$ 225,793	\$ 6,051	\$ 231,844

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 11. Segments of Enterprise Activities

Key financial data for the District's Enterprise Fund for the year ended June 30, 1999, are as follows:

	Lunchroom <u>Fund</u>
Operating Revenues:	\$ 293,367
Operating Expenses:	
Depreciation	3,480
Other	418,901
Total Operating Expenses	422,381
Operating Loss	(129,014)
Non Operating Revenues and Expenses:	
Grants	85,411
Federal Commodities	24,257
Net Loss	<u>\$ (19,346)</u>
Contributed Capital	<u>\$ 39,978</u>
Fixed Asset Additions	<u>\$ -</u>
Current Assets	48,128
Current Liabilities	69,442
Net Working Capital	<u>\$ (21,314)</u>
Total Assets	<u>\$ 59,942</u>
Total Retained Earnings	<u>\$ (49,478)</u>

Note 12. Fund Deficits

Fund Deficit:

Fund balances at June 30 1999, included the following individual fund deficits:

Capital Projects	\$(125,909)	Fund Balance
Enterprise	\$(49,478)	Retained Earnings

The Capital Project fund deficit is due primarily to the issuance of tax anticipation notes which are used to finance the capital improvements of the district (note 9) and adjustments for accrued liabilities.

The Enterprise fund deficit is due to accrued liabilities.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 13: Jointly Governed Organizations

Metropolitan Education Council – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial responsibility for MEC. MEC provides computer services to the District. During 1999 the District paid \$16,407 to MEC.

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

Note 14: Risk Management

A. General Risk

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

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

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

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

B. Health Insurance

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

Note 15: Fixed Assets

The following is a summary of the proprietary funds property, plant, and equipment at June 30, 1999:

Furniture and Equipment	\$ 55,055
Less: Accumulated Depreciation	<u>(43,241)</u>
Net Fixed Assets	<u>\$ 11,814</u>

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year 1999:

	<u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1999</u>
Land	\$ 35,289	0	0	\$ 35,289
Building & Improvement	13,274,878	0	0	13,274,878
Equipment	713,718	72,333	30,745	755,306
Vehicles	970,902	0	0	970,902
	<u>\$ 14,994,787</u>	<u>72,333</u>	<u>30,745</u>	<u>\$ 15,036,375</u>

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Note 16: School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$4,260,762 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of this report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

Note 17: Year 2000 Issue

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

Property tax billing, collection and remittance for the District is handled by Madison County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The District utilizes State of Ohio Uniform Accounting System (USAS) to provide computer software and services (EDP processing). In addition, its banking institution provides financial transactions for the District. The District has obtained assurances from these organizations or institutions regarding remediation of these systems. These

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems and is solely responsible for any associated costs.

The District's heating systems are manual which are not subject to year 2000 issues.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

Note 18: Set-Aside Calculations and Fund Reserves

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

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

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$40,701	\$40,701
Current year set-aside requirement	123,702	123,702	61,851	309,255
Current year offsets	(23,527)	(123,702)	0	(147,229)
Qualifying disbursements	(100,175)	0	0	(100,175)
Set-aside Cash Balance as of June 30, 1999	<u>\$0</u>	<u>\$0</u>	<u>\$102,552</u>	<u>\$102,552</u>
Amount restricted for bus purchases				<u>28,860</u>
Total Restricted Assets				<u>\$131,412</u>

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 1999

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

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

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

We have audited the general-purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 6, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 6, 1999.

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



JIM PETRO
Auditor of State

December 6, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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.

By: _____

Susan Babbitt

Clerk of the Bureau

Date: _____

JAN 27 2000

Jonathan Alder Local School District