

**JONATHAN ALDER**  
**LOCAL SCHOOL DISTRICT**  
**MADISON COUNTY, OHIO**  
*BASIC FINANCIAL STATEMENTS*  
*(AUDITED)*  
*FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2006*

**JANIS THOM, TREASURER**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Jonathan Alder Local School District, Madison County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 9, 2007

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

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, Ohio, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, as of June 30, 2006, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

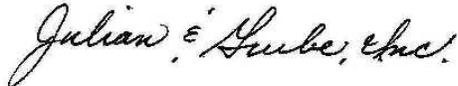
As disclosed in Note 3B to the financial statements, net assets has been restated due to a change in threshold of its capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



Julian & Grube, Inc.  
January 8, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Jonathan Alder Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$2,406,940 which represents a 53.42% increase from the restated balance at June 30, 2005 (see Note 3.B. to the basic financial statements).
- General revenues accounted for \$15,169,324 in revenue or 88.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,063,835 or 11.98% of total revenues of \$17,233,159.
- The District had \$14,826,219 in expenses related to governmental activities; \$2,063,835 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,169,324 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$13,082,369 in revenues and \$13,611,602 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$529,233 from \$2,383,122 to \$1,853,889.
- The debt service fund had revenues of \$1,906,731 and expenditures of \$1,575,149. The debt service fund's fund balance increased \$331,582 from \$1,316,452 to \$1,648,034.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

*Governmental Funds*

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

*Reporting the District's Fiduciary Responsibilities*

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

***Notes to the Basic Financial Statements***

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

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2006 and 2005. The net assets at 2005 have been restated as described in Note 3.B. in the notes to the basic financial statements.

	<b>Net Assets</b>	
	Governmental Activities 2006	Restated Governmental Activities 2005
<b><u>Assets</u></b>		
Current and other assets	\$ 10,155,297	\$ 13,317,063
Capital assets, net	<u>28,399,542</u>	<u>24,944,975</u>
Total assets	<u>38,554,839</u>	<u>38,262,038</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,240,221	8,092,396
Long-term liabilities	<u>25,401,983</u>	<u>25,663,947</u>
Total liabilities	<u>31,642,204</u>	<u>33,756,343</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	4,433,562	3,442,449
Restricted	1,991,111	2,782,788
Unrestricted (deficit)	<u>487,962</u>	<u>(1,719,542)</u>
Total net assets	<u>\$ 6,912,635</u>	<u>\$ 4,505,695</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$6,912,635. Of this total, \$487,962 is unrestricted in use.

At fiscal year-end, capital assets represented 73.66% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$4,433,562. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,991,111, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$487,962.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The table below illustrates the District's assets, liabilities, and net assets at June 30, 2006 and 2005.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2006 and 2005. The net assets balance at June 30, 2004 and June 30, 2005 have been restated due to the District's capitalization threshold change as described in Note 3.B. in the notes to the basic financial statements.

**Change in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,269,161	\$ 912,230
Operating grants and contributions	794,674	744,448
Capital grants and contributions	-	36,344
General revenues:		
Property taxes	7,580,737	6,516,221
Grants and entitlements	7,421,086	7,526,580
Investment earnings	94,847	229,411
Other	72,654	55,046
<b>Total revenues</b>	<b>17,233,159</b>	<b>16,020,280</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,613,866	\$ 6,777,476
Special	924,653	978,582
Vocational	119,664	112,758
Other	42,551	-
Support services:		
Pupil	1,017,374	940,163
Instructional staff	613,347	213,103
Board of education	96,138	49,943
Administration	1,266,434	1,025,507
Fiscal	325,531	786,231
Business	4,566	6,582
Operations and maintenance	436,674	2,484,862
Pupil transportation	804,852	894,023
Operation of non-instructional services:		
Food service operations	714,401	519,684
Non-instructional services	-	1,710
Extracurricular activities	592,261	549,986
Interest and fiscal charges	<u>1,253,907</u>	<u>1,239,277</u>
Total expenses	<u>14,826,219</u>	<u>16,579,887</u>
Change in net assets	2,406,940	(559,607)
Net assets at beginning of year (restated)	<u>4,505,695</u>	<u>5,065,302</u>
Net assets at end of year	<u><u>\$ 6,912,635</u></u>	<u><u>\$ 4,505,695</u></u>

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

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,406,940. Total governmental expenses of \$14,826,219 were offset by program revenues of \$2,063,835 and general revenues of \$15,169,324. Program revenues supported 13.92% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 87.05% of total governmental revenue.

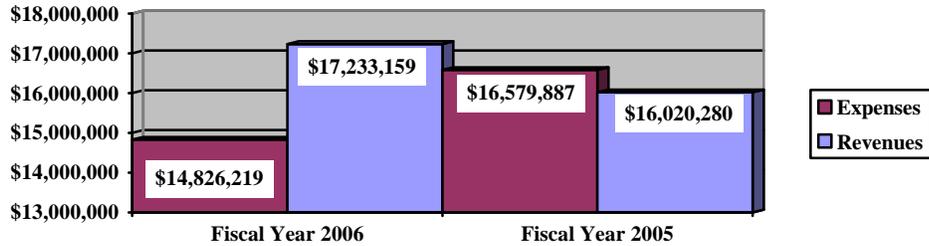
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,700,734 or 51.94% of total governmental expenses for fiscal 2006.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,613,866	\$ 5,560,147	\$ 6,777,476	\$ 6,144,786
Special	924,653	924,653	978,582	942,992
Vocational	119,664	119,664	112,758	112,758
Other	42,551	42,551	-	-
Support services:				
Pupil	1,017,374	880,315	940,163	787,197
Instructional staff	613,347	592,367	213,103	205,009
Board of education	96,138	96,138	49,943	49,943
Administration	1,266,434	1,266,434	1,025,507	1,020,653
Fiscal	325,531	325,531	786,231	749,887
Business	4,566	4,566	6,582	6,582
Operations and maintenance	436,674	435,664	2,484,862	2,482,462
Pupil transportation	804,852	802,244	894,023	894,023
Operation of non-instructional services:				
Food service operations	714,401	166,121	519,684	33,631
Other non-instructional services	-	-	1,710	(15,156)
Extracurricular activities	592,261	292,082	549,986	232,821
Interest and fiscal charges	<u>1,253,907</u>	<u>1,253,907</u>	<u>1,239,277</u>	<u>1,239,277</u>
<b>Total expenses</b>	<u><u>\$ 14,826,219</u></u>	<u><u>\$ 12,762,384</u></u>	<u><u>\$ 16,579,887</u></u>	<u><u>\$ 14,886,865</u></u>

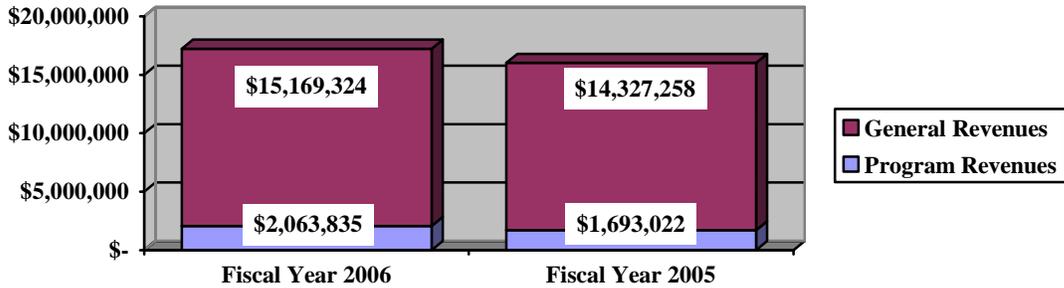
The dependence upon tax and other general revenues for governmental activities is apparent, 86.32% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.08%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,700,226, which is less than last year's total of \$5,089,006. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 1,853,889	\$ 2,383,122	\$ (529,233)	(22.21) %
Debt Service	1,648,034	1,316,452	331,582	25.19 %
Other Governmental	<u>198,303</u>	<u>1,389,432</u>	<u>(1,191,129)</u>	(85.73) %
Total	<u>\$ 3,700,226</u>	<u>\$ 5,089,006</u>	<u>\$ (1,388,780)</u>	(27.29) %

**General Fund**

The District's general fund balance decreased \$529,233. The decrease in fund balance can be attributed to transfers to other funds and several items related to increasing expenditures outpacing increased revenues. Revenues exceed expenditures for fiscal year 2006 by \$175,767.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,314,591	\$ 4,550,073	\$ 764,518	16.80 %
Tuition	350,496	9,113	341,383	3,746.11 %
Earnings on investments	56,645	44,083	12,562	28.50 %
Intergovernmental	7,210,319	7,334,421	(124,102)	(1.69) %
Other revenues	<u>150,318</u>	<u>136,551</u>	<u>13,767</u>	10.08 %
 Total	 <u>\$ 13,082,369</u>	 <u>\$ 12,074,241</u>	 <u>\$ 1,008,128</u>	 8.35 %
<b><u>Expenditures</u></b>				
Instruction	\$ 7,196,201	\$ 6,801,100	\$ 395,101	5.81 %
Support services	5,475,701	4,562,610	913,091	20.01 %
Extracurricular activities	201,732	190,055	11,677	6.14 %
Facilities acquisition and construction	7,888	-	7,888	100.00 %
Capital outlay	-	103,076	(103,076)	(100.00) %
Debt service	<u>25,080</u>	<u>6,270</u>	<u>18,810</u>	300.00 %
 Total	 <u>\$ 12,906,602</u>	 <u>\$ 11,663,111</u>	 <u>\$ 1,243,491</u>	 10.66 %

***Debt Service Fund***

The District's debt service fund balance increased \$331,582. The increase in fund balance can be attributed to property tax revenue still being more than increased debt service costs.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$12,000,000. Actual revenues and other financing sources for fiscal 2006 was \$12,986,244. This represents a \$986,244 increase from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,343,974 were increased to \$13,415,423 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$13,585,359, which was \$169,936 more than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2006, the District had \$28,399,542 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005. See Note 8.A. for the restatement of 2005 capital assets.

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

	Governmental Activities	
	2006	Restated 2005
Land	\$ 381,589	\$ 381,589
Construction-in-progress	-	15,634,022
Land improvements	2,463,964	993,500
Building and improvements	24,348,457	7,579,069
Furniture and equipment	764,972	126,043
Vehicles	440,560	230,752
Total	\$ 28,399,542	\$ 24,944,975

The overall increase in capital assets of \$3,454,567 is due to capital outlays of \$4,236,137 exceeding depreciation expense of \$781,570 in the fiscal year. The increase in building improvements is a result of the completion of the construction in progress that occurred through the Ohio School Facilities Project which was financed by the District issuing general obligation bonds.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2006, the District had \$22,575,000 in general obligation bonds and \$1,928,592 in capital appreciation bonds outstanding. Of this total, \$535,000 is due within one year and \$23,968,592 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 22,575,000	\$ 23,055,000
Capital appreciation bonds	1,928,592	1,739,134
Total	\$ 24,503,592	\$ 24,794,134

The District also has a capital lease obligation outstanding at year-end. See Note 10 to the basic financial statements for additional information on the District's long-term obligations outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

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

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

Thanks to the community and their support, the District has been able to utilize bond levy proceeds approved in 2002 for the construction of a new elementary school and a new high school, both of which have been completed.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Ms. Janis Thom, Treasurer, Jonathan Alder Local School District, 6440 Kilbury-Huber Road, Plain City, Ohio 43064.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,767,203
Cash with escrow agent. . . . .	54,989
Receivables:	
Taxes . . . . .	6,150,973
Accounts . . . . .	145
Intergovernmental. . . . .	172,621
Materials and supplies inventory . . . . .	9,366
Capital assets:	
Land . . . . .	381,589
Depreciable capital assets, net. . . . .	28,017,953
Capital assets, net . . . . .	28,399,542
 Total assets. . . . .	 38,554,839
<b>Liabilities:</b>	
Accounts payable. . . . .	217,237
Contracts payable. . . . .	59,026
Retainage payable . . . . .	54,989
Accrued wages and benefits . . . . .	1,117,743
Pension obligation payable. . . . .	346,547
Intergovernmental payable . . . . .	151,802
Deferred revenue . . . . .	4,257,004
Accrued interest payable . . . . .	35,873
Long-term liabilities:	
Due within one year. . . . .	625,065
Due in more than one year . . . . .	24,776,918
 Total liabilities . . . . .	 31,642,204
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	4,433,562
Restricted for:	
Capital projects . . . . .	171,684
Debt service. . . . .	1,668,255
Locally funded programs . . . . .	8,397
State funded programs . . . . .	70,806
Federally funded programs . . . . .	16,170
Other purposes . . . . .	55,799
Unrestricted . . . . .	487,962
 Total net assets . . . . .	 \$ 6,912,635

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,613,866	\$ 442,191	\$ 611,528	\$ (5,560,147)
Special . . . . .	924,653	-	-	(924,653)
Vocational . . . . .	119,664	-	-	(119,664)
Other . . . . .	42,551	-	-	(42,551)
Support services:				
Pupil . . . . .	1,017,374	123,911	13,148	(880,315)
Instructional staff . . . . .	613,347	-	20,980	(592,367)
Board of education . . . . .	96,138	-	-	(96,138)
Administration . . . . .	1,266,434	-	-	(1,266,434)
Fiscal . . . . .	325,531	-	-	(325,531)
Business . . . . .	4,566	-	-	(4,566)
Operations and maintenance . . . . .	436,674	1,010	-	(435,664)
Pupil transportation . . . . .	804,852	-	2,608	(802,244)
Operation of non-instructional services:				
Food service operations . . . . .	714,401	401,870	146,410	(166,121)
Extracurricular . . . . .	592,261	300,179	-	(292,082)
Interest and fiscal charges . . . . .	1,253,907	-	-	(1,253,907)
Total governmental activities . . . . .	<u>\$ 14,826,219</u>	<u>\$ 1,269,161</u>	<u>\$ 794,674</u>	<u>(12,762,384)</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	5,400,470
Debt service . . . . .	1,762,273
Capital projects . . . . .	417,994
Grants and entitlements not restricted	
to specific programs . . . . .	7,421,086
Investment earnings . . . . .	94,847
Miscellaneous . . . . .	72,654
Total general revenues . . . . .	<u>15,169,324</u>
Change in net assets . . . . .	2,406,940
<b>Net assets at beginning of year (restated) .</b>	<u>4,505,695</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 6,912,635</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,124,846	\$ 1,245,824	\$ 351,734	\$ 3,722,404
Cash with escrow agent. . . . .	-	-	54,989	54,989
Receivables:				
Taxes. . . . .	4,394,576	1,362,288	394,109	6,150,973
Accounts . . . . .	-	-	145	145
Intergovernmental . . . . .	449	-	172,172	172,621
Due from other funds . . . . .	96,634	-	-	96,634
Advances to other funds . . . . .	15,727	-	-	15,727
Materials and supplies inventory . . . . .	-	-	9,366	9,366
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	44,799	-	-	44,799
Total assets . . . . .	<u>\$ 6,677,031</u>	<u>\$ 2,608,112</u>	<u>\$ 982,515</u>	<u>\$ 10,267,658</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 118,652	\$ -	\$ 98,585	\$ 217,237
Contracts payable . . . . .	-	-	59,026	59,026
Retainage payable . . . . .	-	-	54,989	54,989
Accrued wages and benefits . . . . .	1,019,926	-	97,817	1,117,743
Compensated absences payable . . . . .	-	-	3,509	3,509
Pension obligation payable. . . . .	311,206	-	35,341	346,547
Intergovernmental payable. . . . .	143,553	-	8,249	151,802
Due to other funds . . . . .	-	-	96,634	96,634
Advances from other funds . . . . .	-	-	15,727	15,727
Deferred revenue. . . . .	3,229,805	960,078	314,335	4,504,218
Total liabilities . . . . .	<u>4,823,142</u>	<u>960,078</u>	<u>784,212</u>	<u>6,567,432</u>
<b>Fund Balances:</b>				
Reserved for encumbrances. . . . .	-	-	38,890	38,890
Reserved for materials and supplies inventory . . . . .	-	-	9,366	9,366
Reserved for property tax unavailable for appropriation . . . . .	1,164,771	402,210	80,645	1,647,626
Reserved for BWC refunds . . . . .	44,799	-	-	44,799
Reserved for debt service . . . . .	-	1,245,824	-	1,245,824
Reserved for advances . . . . .	15,727	-	-	15,727
Unreserved, undesignated, reported in:				
General fund . . . . .	628,592	-	-	628,592
Special revenue funds. . . . .	-	-	28,139	28,139
Capital projects funds. . . . .	-	-	41,263	41,263
Total fund balances . . . . .	<u>1,853,889</u>	<u>1,648,034</u>	<u>198,303</u>	<u>3,700,226</u>
Total liabilities and fund balances. . . . .	<u>\$ 6,677,031</u>	<u>\$ 2,608,112</u>	<u>\$ 982,515</u>	<u>\$ 10,267,658</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$ 3,700,226
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,399,542
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 246,343	
Intergovernmental revenue	871	
Total		247,214
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(35,873)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(813,860)	
Capital lease obligation payable	(81,022)	
General obligation bonds payable	(22,575,000)	
Capital appreciation bonds payable	(1,928,592)	
Total		(25,398,474)
<b>Net assets of governmental activities</b>		<b>\$ 6,912,635</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,314,591	\$ 1,729,561	\$ 410,282	\$ 7,454,434
Tuition. . . . .	350,496	-	-	350,496
Earnings on investments. . . . .	56,645	-	38,202	94,847
Charges for services . . . . .	-	-	401,870	401,870
Extracurricular. . . . .	3,515	-	396,841	400,356
Classroom materials and fees . . . . .	88,180	-	-	88,180
Other local revenues. . . . .	58,623	-	42,290	100,913
Intergovernmental - Intermediate. . . . .	-	-	3,752	3,752
Intergovernmental - State. . . . .	7,210,319	177,170	69,565	7,457,054
Intergovernmental - Federal . . . . .	-	-	755,248	755,248
Total revenues. . . . .	<u>13,082,369</u>	<u>1,906,731</u>	<u>2,118,050</u>	<u>17,107,150</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,112,110	-	548,868	6,660,978
Special. . . . .	921,876	-	-	921,876
Vocational. . . . .	119,664	-	-	119,664
Other . . . . .	42,551	-	-	42,551
Support services:				
Pupil . . . . .	844,762	-	169,388	1,014,150
Instructional staff . . . . .	597,567	-	5,782	603,349
Board of education. . . . .	96,138	-	-	96,138
Administration. . . . .	1,211,710	-	-	1,211,710
Fiscal. . . . .	275,602	37,201	8,138	320,941
Business . . . . .	4,566	-	-	4,566
Operations and maintenance. . . . .	1,447,190	-	-	1,447,190
Pupil transportation . . . . .	998,166	-	2,491	1,000,657
Operation of non-instructional services:				
Food service operations . . . . .	-	-	623,997	623,997
Extracurricular activities. . . . .	201,732	-	310,869	512,601
Facilities acquisition and construction. . . . .	7,888	-	2,344,646	2,352,534
Debt service:				
Principal retirement. . . . .	17,817	480,000	-	497,817
Interest and fiscal charges . . . . .	7,263	1,057,948	-	1,065,211
Total expenditures . . . . .	<u>12,906,602</u>	<u>1,575,149</u>	<u>4,014,179</u>	<u>18,495,930</u>
Excess of revenues over (under) expenditures . . . . .	<u>175,767</u>	<u>331,582</u>	<u>(1,896,129)</u>	<u>(1,388,780)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	705,000	705,000
Transfers (out) . . . . .	(705,000)	-	-	(705,000)
Total other financing sources (uses) . . . . .	<u>(705,000)</u>	<u>-</u>	<u>705,000</u>	<u>-</u>
Net change in fund balances. . . . .	(529,233)	331,582	(1,191,129)	(1,388,780)
<b>Fund balances at beginning of year . . . . .</b>	<u>2,383,122</u>	<u>1,316,452</u>	<u>1,389,432</u>	<u>5,089,006</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,853,889</u>	<u>\$ 1,648,034</u>	<u>\$ 198,303</u>	<u>\$ 3,700,226</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<b>Net change in fund balances - total governmental funds</b>		\$	(1,388,780)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>			
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
Capital asset additions	4,236,137		
Current year depreciation	(781,570)		
	3,454,567		3,454,567
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Delinquent property taxes	126,303		
Intergovernmental	(294)		
	126,009		126,009
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets.			
			497,817
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expenses when due.			
Accrued interest	762		
Accreted interest on capital appreciation bonds	(189,458)		
	(188,696)		(188,696)
Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.			
			(93,977)
<b>Change in net assets of governmental activities</b>		<b>\$</b>	<b>2,406,940</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,815,637	\$ 4,815,637	\$ 5,211,214	\$ 395,577
Tuition. . . . .	323,890	323,890	350,496	26,606
Earnings on investments. . . . .	58,572	58,572	63,383	4,811
Extracurricular. . . . .	3,248	3,248	3,515	267
Classroom materials and fees . . . . .	81,486	81,486	88,180	6,694
Other local revenues . . . . .	54,173	54,173	58,623	4,450
Intergovernmental - State . . . . .	6,662,994	6,662,994	7,210,319	547,325
Total revenues. . . . .	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,985,730</u>	<u>985,730</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,270,044	5,767,058	6,110,092	(343,034)
Special. . . . .	875,073	957,600	938,870	18,730
Vocational. . . . .	108,316	118,531	118,582	(51)
Other. . . . .	40,025	43,800	42,137	1,663
Support services:				
Pupil. . . . .	653,936	715,608	837,878	(122,270)
Instructional staff . . . . .	220,175	240,940	575,414	(334,474)
Board of education . . . . .	46,605	51,000	97,234	(46,234)
Administration. . . . .	1,121,237	1,226,980	1,220,756	6,224
Fiscal . . . . .	709,212	776,097	295,806	480,291
Business . . . . .	5,940	6,500	4,695	1,805
Operations and maintenance. . . . .	1,292,395	1,414,280	1,460,718	(46,438)
Pupil transportation . . . . .	832,059	910,530	973,082	(62,552)
Extracurricular activities. . . . .	186,008	203,550	197,207	6,343
Facilities acquisition and construction. . . . .	-	-	7,888	(7,888)
Total expenditures . . . . .	<u>11,361,025</u>	<u>12,432,474</u>	<u>12,880,359</u>	<u>(447,885)</u>
Excess of revenues over (under) expenditures. . . . .	<u>638,975</u>	<u>(432,474)</u>	<u>105,371</u>	<u>537,845</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	-	-	514	514
Transfers (out) . . . . .	(982,949)	(982,949)	(705,000)	277,949
Total other financing sources (uses) . . . . .	<u>(982,949)</u>	<u>(982,949)</u>	<u>(704,486)</u>	<u>278,463</u>
Net change in fund balance . . . . .	(343,974)	(1,415,423)	(599,115)	816,308
<b>Fund balance at beginning of year. . . . .</b>	2,696,555	2,696,555	2,696,555	-
<b>Prior year encumbrances appropriated . . . . .</b>	95,623	95,623	95,623	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,448,204</u>	<u>\$ 1,376,755</u>	<u>\$ 2,193,063</u>	<u>\$ 816,308</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	52,614
Receivables:		
Accounts . . . . .		<u>77</u>
Total assets . . . . .	\$	<u><u>52,691</u></u>
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	410
Due to students . . . . .		<u>52,281</u>
Total liabilities . . . . .	\$	<u><u>52,691</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is the 279<sup>th</sup> largest in the State of Ohio among 615 public school districts in terms of enrollment. It is staffed by 72 non-certificated employees and 131 certificated full-time teaching personnel who provide services to 1,991 students and other community members. The District currently operates four instructional buildings and a bus garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Education Council (MEC)

MEC is a not-for-profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent.

Central Ohio Career Center

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

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Metropolitan Educational Council Insurance Program ("MEC")

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUND*

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

*Deferred Revenue* - 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, 2006 but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Madison County Budget Commission for tax rate determination. The Madison County Commissioner's waived this requirement for fiscal year 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$56,645, which includes \$10,033 assigned from other funds.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District changed the capitalization threshold from \$500 to \$5,000 as of July 1, 2005 (see Note 3.B. for restatement of governmental activities net assets). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2006.

**O. Estimates**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside from BWC refunds. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 16.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 3 - ACCOUNTABILITY & COMPLIANCE - (Continued)**

**B. Restatement of Net Assets**

The governmental activities net assets at June 30, 2005, have been restated to reflect the District's capitalization threshold change from \$500 to \$5,000 and to correct for errors and omissions in the amounts reported as capital assets in the prior year. The adjustments to capital assets had the following effect on governmental activities net assets as previously reported:

	<u>Total</u>
Net assets, June 30, 2005	\$ 5,483,630
Restatement for capital assets	(977,935)
Restated net assets, June 30, 2005	\$ 4,505,695

**C. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 91,234
District Managed Student Activity	2,288
EMIS	433
Improving Teacher Quality	4,511

The District Managed Student Activity and EMIS funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities. The Food Service and Improving Teacher Quality funds did not comply with Ohio state law which does not allow permit a cash basis deficit at fiscal year-end (see Note 3.D. below).

**D. Noncompliance**

- i. At June 30, 2006, the District had a negative cash fund balance in the Food Service, Improving Teacher Quality, IDEA Part B and the Title I funds in the amounts of \$29,226, \$20,265, \$24,661 and \$22,482, respectively. Negative cash balances indicate that revenue from other sources were used to pay obligations of these funds contrary to Ohio Revised Code Section 5705.10. For GAAP purposes, these amounts have been reported as fund liabilities.
- ii. The following funds had appropriations in excess of estimated resources for the fiscal year ended June 30, 2006, in noncompliance with Ohio Revised Code Section 5705.39.

	<u>Amount</u>
<u>Nonmajor Funds</u>	
Public School	\$ 23,959
District Managed Student Activity	69,320
Management Information System	8,563
Entry Year Programs	3,456
Permanent Improvement	397,816

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Interim monies to 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. Bonds 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Cash in Escrow Accounts**

The District reports cash for retainage accounts related to its construction projects as “Cash in Escrow Accounts”. These accounts are held at STAR Ohio and are reported as part of the District’s cash management pool.

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$113,412, exclusive of the \$3,706,405 repurchase agreement, included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$213,912 of the District’s bank balance of \$313,912 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

**C. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>		<u>Investment Maturity</u> 6 months or <u>less</u>
Repurchase Agreement	\$ 3,706,405	\$ 3,706,405
STAR Ohio	<u>54,989</u>	<u>54,989</u>
	<u>\$ 3,761,394</u>	<u>\$ 3,761,394</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 3,706,405	98.54
STAR Ohio	<u>54,989</u>	<u>1.46</u>
	<u>\$ 3,761,394</u>	<u>100.00</u>

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 113,412
Investments	<u>3,761,394</u>
Total	<u>\$ 3,874,806</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,822,192
Agency funds	<u>52,614</u>
Total	<u>\$ 3,874,806</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 96,634

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

- B.** Interfund balances at June 30, 2006 as reported on the fund statements consist of the following long-term advances receivable and payable:

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

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

- C.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	<u>\$ 705,000</u>
Total	<u>\$ 705,000</u>

All transfers made in fiscal year 2006 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property taxes received in calendar year 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of January 1, 2005. In prior years, tangible personal property assessments were twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for property including inventory for 2006 is 18.75%. This will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009.

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

The District receives property taxes from Madison, Franklin and Union Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

The amount available as an advance at June 30, 2006 was \$1,164,771 in the general fund, \$80,645 in the Permanent Improvement capital projects fund, and \$402,210 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$1,061,394 in the general fund, \$78,194 in the Permanent Improvement capital projects fund, and \$409,179 in the debt service fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	Agricultural/residential and other real estate	\$ 200,838,970	88.40	\$ 232,924,690
Tangible personal property	<u>26,342,550</u>	<u>11.60</u>	<u>22,297,226</u>	<u>8.74</u>
Total	<u>\$ 227,181,520</u>	<u>100.00</u>	<u>\$ 255,221,916</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 48.10		\$ 38.60	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006, consisted of taxes, accounts 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 6,150,973
Intergovernmental	172,621
Accounts	<u>145</u>
Total	<u>\$ 6,323,739</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to a change in the District's capitalization threshold previously reported:

	Balance 06/30/05	Adjustments	Restated Balance 06/30/05
<b>Governmental Activities</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 375,442	\$ 6,147	\$ 381,589
Construction-in-progress	15,634,022	-	15,634,022
Total capital assets, not being depreciated	<u>16,009,464</u>	<u>6,147</u>	<u>16,015,611</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,565,428	(16,056)	1,549,372
Buildings and improvements	17,423,713	(12,183)	17,411,530
Furniture and equipment	2,643,245	(2,303,835)	339,410
Vehicles	1,213,224	(80,609)	1,132,615
Total capital assets, being depreciated	<u>22,845,610</u>	<u>(2,412,683)</u>	<u>20,432,927</u>
<i>Less: accumulated depreciation</i>	<u>(12,932,164)</u>	<u>1,428,601</u>	<u>(11,503,563)</u>
Governmental activities capital assets, net	<u>\$25,922,910</u>	<u>\$ (977,935)</u>	<u>\$ 24,944,975</u>

- B. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance 06/30/05	Additions	Deductions	Balance 06/30/06
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 381,589	\$ -	\$ -	\$ 381,589
Construction-in-progress	15,634,022	1,694,987	(17,329,009)	-
Total capital assets, not being depreciated	<u>16,015,611</u>	<u>1,694,987</u>	<u>(17,329,009)</u>	<u>381,589</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,549,372	1,572,917	-	3,122,289
Buildings and improvements	17,411,530	17,329,009	-	34,740,539
Furniture and equipment	339,410	664,239	-	1,003,649
Vehicles	1,132,615	303,994	(114,926)	1,321,683
Total capital assets, being depreciated	<u>20,432,927</u>	<u>19,870,159</u>	<u>(114,926)</u>	<u>40,188,160</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(555,872)	(102,453)	-	(658,325)
Buildings and improvements	(9,832,461)	(559,621)	-	(10,392,082)
Furniture and equipment	(213,367)	(25,310)	-	(238,677)
Vehicles	(901,863)	(94,186)	114,926	(881,123)
Total accumulated depreciation	<u>(11,503,563)</u>	<u>(781,570)</u>	<u>114,926</u>	<u>(12,170,207)</u>
Governmental activities capital assets, net	<u>\$24,944,975</u>	<u>\$20,783,576</u>	<u>\$(17,329,009)</u>	<u>\$28,399,542</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$387,133
<u>Support Services:</u>	
Instructional staff	18,164
Administration	63,915
Operations and maintenance	34,842
Pupil transportation	98,186
Extracurricular activities	95,049
Food service operations	<u>84,281</u>
Total depreciation expense	<u>\$781,570</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2006, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$103,076, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$30,923, leaving a current book value of \$72,153.

A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2006 totaled \$17,817 in the general.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Copiers</u>
2007	\$ 25,080
2008	25,080
2009	25,080
2010	<u>18,810</u>
Total minimum lease payments	94,050
Less: amount representing interest	<u>(13,028)</u>
Total	<u>\$ 81,022</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/05	Additions	Reductions	Balance Outstanding 06/30/06	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
Current interest bonds	\$23,055,000	\$ -	\$(480,000)	\$ 22,575,000	\$ -
Capital appreciation bonds	1,309,958	-	-	1,309,958	345,070
Accreted interest	429,176	189,458	-	618,634	189,930
Total general obligation bonds payable	<u>24,794,134</u>	<u>189,458</u>	<u>(480,000)</u>	<u>24,503,592</u>	<u>535,000</u>
<u>Other Long-Term Obligations:</u>					
Capital lease obligations	98,839	-	(17,817)	81,022	19,296
Compensated absences	770,974	226,479	(180,084)	817,369	70,769
Total governmental activities	<u>\$25,663,947</u>	<u>\$415,937</u>	<u>\$(677,901)</u>	<u>\$ 25,401,983</u>	<u>\$ 625,065</u>

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

This issue is comprised of both current interest bonds, par value \$23,690,000, and capital appreciation bonds, par value \$2,380,000. The interest rates on the current interest bonds range from 3.90% to 5.00%. The capital appreciation bonds mature on December 1, 2006, December 1, 2007, December 1, 2008, and December 1, 2009, (effective interest 10.61%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported as long-term liabilities on the statement of net assets at June 30, 2006 was \$1,309,958. A total of \$618,634 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2006.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

Capital Lease Obligation: During fiscal year 2005, the District entered a lease agreement for copier equipment. Principal and interest payments will be made from the general fund. See Note 9 for details.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ -	\$ 1,053,027	\$ 1,053,027	\$ 345,070	\$ 189,930	\$ 535,000
2008	-	1,053,028	1,053,028	319,902	230,098	550,000
2009	-	1,053,027	1,053,027	330,441	299,559	630,000
2010	-	1,053,028	1,053,028	314,545	350,455	665,000
2011	680,000	1,041,127	1,721,127	-	-	-
2012 - 2016	4,075,000	4,752,217	8,827,217	-	-	-
2017 - 2021	4,605,000	3,849,596	8,454,596	-	-	-
2022 - 2026	5,810,000	2,600,856	8,410,856	-	-	-
2027 - 2031	7,405,000	961,875	8,366,875	-	-	-
Total	<u>\$22,575,000</u>	<u>\$17,417,781</u>	<u>\$39,992,781</u>	<u>\$1,309,958</u>	<u>\$1,070,042</u>	<u>\$2,380,000</u>

- C.** The Ohio Revised Code provides that the total net indebtedness of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$635,119 (including available funds of \$1,648,034) and an unvoted debt margin of \$255,222.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2006, the District participated in the MEC Liability, Fleet and Property Insurance Program (see Note 2.A.). The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Group Health and Dental Insurance**

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

While all benefit plans are traditionally-funded through United Health Care, the Board's group health plan contains provisions for discounted amounts to be remitted to the carrier during the year (90% of the carrier-established premium for fiscal year 2006, contingent upon the group's claims experience for the year. While the District has not retained risk for any claims, should the group's claim costs for the year exceed the threshold of the discounted amount remitted to the carrier during the year, the District must remit additional premium, to a maximum of the difference between the discounted premium and the full premium.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

**C. Workers' Compensation Plan**

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

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

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 12 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$207,584, \$173,513, and \$142,632, respectively; 49.52% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$104,787 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$854,172, \$765,944, and \$676,046, respectively; 81.68% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$156,524 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$4,905 made by the District and \$18,054 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 13 - 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 non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$65,706 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$92,398 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

	<u>General Fund</u>
Net Change in Fund Balance	
Budget basis	\$ (599,115)
Net adjustment for revenue accruals	96,639
Net adjustment for expenditure accruals	(99,459)
Net adjustment for other sources/uses	(514)
Adjustment for encumbrances	<u>73,216</u>
GAAP basis	<u>\$ (529,233)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ (109,758)	\$ (24,535,341)	\$ 44,799
Current year set-aside requirement	249,722	249,722	-
Qualifying disbursements	<u>(293,188)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (153,224)</u>	<u>\$ (24,285,619)</u>	<u>\$ 44,799</u>
Balance carried forward to FY 2007	<u>\$ (153,224)</u>	<u>\$ (24,285,619)</u>	<u>\$ 44,799</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years. The negative amount offset in the capital acquisition set-aside may be carried forward to offset future year's requirements.

A schedule of the restricted assets at June 30, 2006 follows:

Amounts restricted for BWC refunds	<u>\$ 44,799</u>
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**NOTE 17 - SIGNIFICANT SUBSEQUENT EVENT**

On November 7, 2006, the District passed a .75%, five-year income tax levy.

## **SUPPLEMENTAL DATA**

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 32,454	\$ -	\$ 32,454
(B) National School Lunch Program	10.555	048264-LLP4-2005	15,719	-	15,719	-
(B) National School Lunch Program	10.555	048264-LLP4-2006	94,796	-	94,796	-
Total National School Lunch Program			110,515	-	110,515	-
Total U.S. Department of Agriculture			110,515	32,454	110,515	32,454
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
Title I Grants to Local Educational Agencies	84.010	048264-C1S1-2005	14,656		19,664	
Title I Grants to Local Educational Agencies	84.010	048264-C1S1-2006	119,954		143,181	
Total Title I Grants to Local Educational Agencies			134,610		162,845	
Special Education Grants to States	84.027	048264-6BSD-2006	-		18,062	
Special Education Grants to States	84.027	048264-6BSD-2006	287,327		311,988	
Total Special Education Grants to States			287,327		330,050	
(C) Safe and Drug-Free Schools and Communities State Grants	84.186	048264-DRS1-2005	(19)		975	
Safe and Drug-Free Schools and Communities State Grants	84.186	048264-DRS1-2006	6,171		5,435	
Total Safe and Drug-Free Schools and Communities State Grants			6,152		6,410	
State Grants for Innovative Programs	84.298	048264-C2S1-2005	5,806		5,859	
State Grants for Innovative Programs	84.298	048264-C2S1-2006	4,727		5,052	
Total State Grants for Innovative Programs			10,533		10,911	
Education Technology State Grants	84.318	048264-T1S1-2005	157		333	
Education Technology State Grants	84.318	048264-T1S1-2006	3,579		3,579	
Total Educational Technology State Grants			3,736		3,912	
Improving Teacher Quality State Grants	84.367	048264-TRS1-2005	1,165		6,396	
Improving Teacher Quality State Grants	84.367	048264-TRS1-2006	44,274		54,911	
Total Improving Teacher Quality State Grants			45,439		61,307	
Total U.S. Department of Education			487,797		575,435	
Total Federal Financial Assistance			\$ 598,312	\$ 32,454	\$ 685,950	\$ 32,454

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (C) The amount of \$19 was transferred to the next grant year based on Ohio Department of Education administrative action.  
 (D) This schedule was prepared on the cash basis of accounting.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jonathan Alder Local School District as of and for the fiscal year ended June 30, 2006, which collectively comprise the Jonathan Alder Local School District's basic financial statements and have issued our report thereon dated January 8, 2007. As disclosed in Note 3B to the financial statements, net assets has been restated due to a change in threshold of its capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jonathan Alder Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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 a certain matter involving the internal control over financial reporting that we have reported to the management of Jonathan Alder Local School District in a separate letter dated January 8, 2007.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonathan Alder Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2006-JALSD-001 and 2006-JALSD-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jonathan Alder Local School District in a separate letter dated January 8, 2007.

Board of Education  
Jonathan Alder Local School District

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

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

Julian & Grube, Inc.  
January 8, 2007



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

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

Compliance

We have audited the compliance of Jonathan Alder Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2006. Jonathan Alder Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Jonathan Alder Local School District's management. Our responsibility is to express an opinion on Jonathan Alder Local School District's compliance based on our audit.

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

In our opinion, the Jonathan Alder Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Internal Control Over Compliance

The management of the Jonathan Alder Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Jonathan Alder Local School 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.

Board of Education  
Jonathan Alder Local School District

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 reportable 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 caused by error or fraud 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 of the Board of Education and management of the Jonathan Alder Local School District, Madison County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.  
January 8, 2007

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2006-JALSD-001

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that at June 30, 2006, the District had negative cash balances in the following funds:

<u>Nonmajor Funds</u>	<u>Amount</u>
Food Service	\$ 29,226
IDEA Part B	24,661
Title I	22,482
Improving Teacher Quality	20,265

The District has spent monies not available to that fund and thus causing noncompliance. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly record receipts as deposits in transit only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval.

*Client response:* The District Treasurer is attempting to monitor fund balances throughout the year and at year end and transfer or advance funds as necessary.

Finding Number	2006-JALSD-002
----------------	----------------

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

It was noted during the audit that, at June 30, 2006, the total appropriations exceeded the total estimated resources in the following funds:

<u>Nonmajor Funds</u>	<u>Amount</u>
Public School	\$ 23,959
District Managed Student Activity	69,320
Management Information System	8,563
Entry Year Programs	3,456
Permanent Improvement	397,816

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

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

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

Finding Number

2006-JALSD-002 - (Continued)

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

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

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2006**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2005-JALSD-001	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.	No	Reported as finding 2006-JALSD-001
2005-JALSD-002	Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed estimated resources.	No	Reported as finding 2006-JALSD-002



**Mary Taylor, CPA**  
Auditor of State

**JONATHAN ALDER LOCAL SCHOOL DISTRICT**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 19, 2007**