

**JONATHAN ALDER LOCAL
SCHOOL DISTRICT
MADISON COUNTY, OHIO**
*BASIC FINANCIAL STATEMENTS
(AUDITED)*

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2004*

JANIS THOM, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of the Jonathan Alder Local School District, Madison County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 21, 2005

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

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Independent Auditor's Report

Board of Education
Jonathan Alder Local School District
6440 Kilbury Huber Road
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, 2004, 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 basic 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, 2004, 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 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, the District’s capital assets have been restated due to errors and omissions in previous years as disclosed in Note 8.A.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

The management's discussion and analysis on pages 3 through 12 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.



Trimble, Julian & Grube, Inc.
February 25, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The management's discussion and analysis of the Jonathan Alder Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$308,157 which represents a 5.37% increase from 2003.
- General revenues accounted for \$13,445,531 in revenue or 89.93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,505,844 or 10.07% of total revenues of \$14,951,375.
- The District had \$14,643,218 in expenses related to governmental activities; \$1,505,844 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,445,531 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and building fund. The general fund had \$11,073,069 in revenues and \$11,041,141 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance increased \$31,928 from \$1,920,461 to \$1,952,389.
- The debt service fund had revenues of \$1,796,863 and expenditures of \$1,322,262. The debt service fund's fund balance increased \$474,601 from \$525,169 to \$999,770.
- The building fund had revenues of \$287,694 and expenditures of \$12,662,320. The building fund's fund balance decreased \$12,374,626 from \$23,066,175 to \$10,691,549.

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, debt service fund and building 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, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" 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, debt service fund and building 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, 2004
UNAUDITED

Notes to the Basic Financial Statements

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

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	Net Assets
	Governmental Activities <u>2004</u>
<u>Assets</u>	
Current and other assets	\$ 22,724,619
Capital assets, net	<u>17,124,017</u>
Total assets	<u>39,848,636</u>
<u>Liabilities</u>	
Current liabilities	8,019,185
Long-term liabilities	<u>25,786,214</u>
Total liabilities	<u>33,805,399</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	4,375,667
Restricted	12,709,110
Unrestricted (deficit)	<u>(11,041,540)</u>
Total net assets	<u>\$ 6,043,237</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$6,043,237. Of this total, \$12,709,110 is restricted in use.

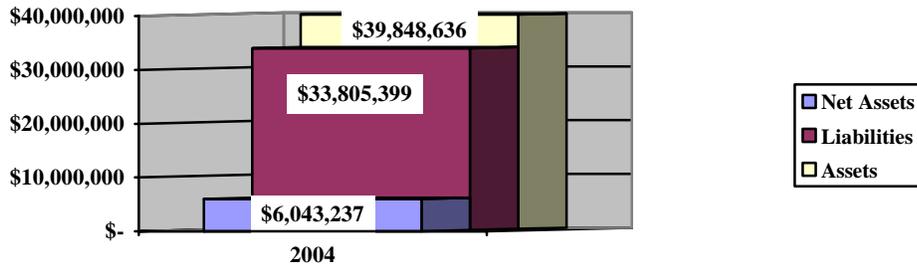
At fiscal year-end, capital assets represented 42.97% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$4,375,667. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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A portion of the District's net assets, \$12,709,110, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets of \$11,041,540 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 732,388
Operating grants and contributions	712,531
Capital grants and contributions	60,925
General revenues:	
Property taxes	6,393,936
Grants and entitlements	6,690,101
Investment earnings	300,856
Other	<u>60,638</u>
 Total revenues	 <u>14,951,375</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
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Change in Net Assets

	Governmental Activities <u>2004</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 6,865,373
Special	892,845
Vocational	113,243
Adult/continuing education	891
Support services:	
Pupil	883,509
Instructional staff	157,564
Board of education	43,373
Administration	969,881
Fiscal	1,133,895
Business	2,536
Operations and maintenance	599,904
Pupil transportation	749,821
Central	9,583
Extracurricular activities	383,466
Food service operations	505,927
Interest and fiscal charges	<u>1,331,407</u>
Total expenses	<u>14,643,218</u>
Change in net assets	308,157
Net assets at beginning of year (restated)	<u>5,735,080</u>
Net assets at end of year	<u><u>\$ 6,043,237</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$308,157. Total governmental expenses of \$14,643,218 were offset by program revenues of \$1,505,844 and general revenues of \$13,445,531. Program revenues supported 10.28% 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 87.51% of total governmental revenue.

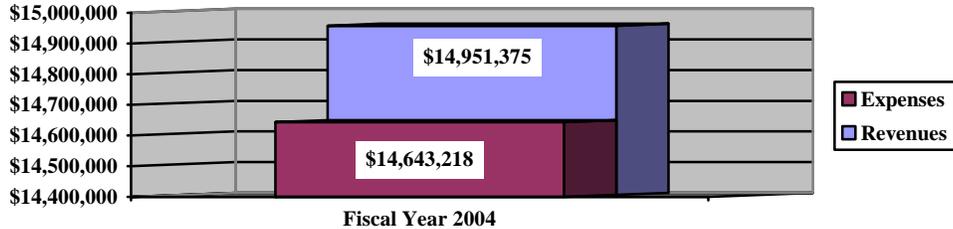
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,872,352 or 53.76% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

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. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities

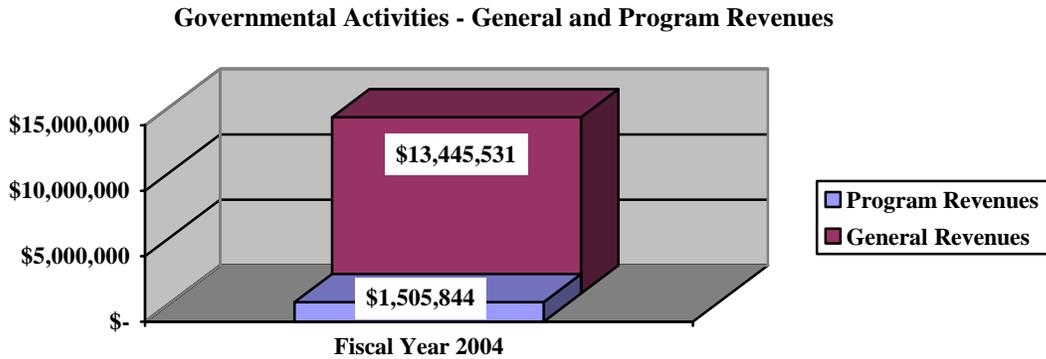
	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses		
Instruction:		
Regular	\$ 6,865,373	\$ 6,490,975
Special	892,845	629,657
Vocational	113,243	113,243
Adult/continuing education	891	891
Support services:		
Pupil	883,509	744,555
Instructional staff	157,564	118,874
Board of education	43,373	43,373
Administration	969,881	965,726
Fiscal	1,133,895	1,105,970
Business	2,536	2,536
Operations and maintenance	599,904	595,783
Pupil transportation	749,821	749,692
Central	9,583	(6,668)
Extracurricular activities	383,466	199,836
Food service operations	505,927	51,524
Interest and fiscal charges	<u>1,331,407</u>	<u>1,331,407</u>
Total expenses	<u>\$ 14,643,218</u>	<u>\$ 13,137,374</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 91.90% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.71%. 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, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$14,677,244, which is lower than last year's total of \$26,298,530. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Restated Fund Balance <u>June 30, 2003</u>	Increase (Decrease)	Percentage Change
General	\$ 1,952,389	\$ 1,920,461	\$ 31,928	1.66 %
Debt Service	999,770	525,169	474,601	90.37 %
Building Fund	10,691,549	23,066,175	(12,374,626)	(53.41) %
Other Governmental	<u>1,033,536</u>	<u>786,725</u>	<u>246,811</u>	31.37 %
Total	<u>\$14,677,244</u>	<u>\$26,298,530</u>	<u>\$ (11,621,286)</u>	(44.18) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

General Fund

The District's general fund balance increased \$31,928 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2004 by \$57,737. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,370,839	\$ 3,917,509	\$ 453,330	11.57 %
Earnings on investments	14,062	31,326	(17,264)	(55.11) %
Intergovernmental	6,537,911	6,383,293	154,618	2.42 %
Other revenues	<u>150,257</u>	<u>167,481</u>	<u>(17,224)</u>	(10.28) %
Total	<u>\$ 11,073,069</u>	<u>\$ 10,499,609</u>	<u>\$ 573,460</u>	5.46 %
<u>Expenditures</u>				
Instruction	\$ 6,608,781	\$ 5,392,932	\$ 1,215,849	22.55 %
Support services	4,234,145	4,781,848	(547,703)	(11.45) %
Extracurricular activities	<u>172,406</u>	<u>172,711</u>	<u>(305)</u>	(0.18) %
Total	<u>\$ 11,015,332</u>	<u>\$ 10,347,491</u>	<u>\$ 667,841</u>	6.45 %

Debt Service Fund

The District's debt service fund balance increased \$474,601. The increase in fund balance can be attributed to increases in property tax revenue.

Building Fund

The District's building fund balance decreased by \$12,374,626. The decrease in fund balance can be attributed to the school facilities project expenditures project during 2004.

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 2004, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$12,500,000. Actual revenues and other financing sources for fiscal 2004 was \$11,104,785. This represents a \$1,395,215 decrease from original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,898,213 were decreased to \$11,787,008 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$11,104,201, which was \$682,807 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2004, the District had \$17,124,017 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction-in-progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	2003
Land	\$ 375,442	\$ 375,442
Construction-in-progress	6,725,883	209,312
Land improvements	535,201	571,954
Building and improvements	8,072,410	2,291,967
Furniture and equipment	1,062,293	1,317,392
Vehicles	352,788	375,573
Total	\$ 17,124,017	\$ 5,141,640

The overall increase in capital assets of \$11,982,377 is due to capital outlays of \$12,801,607 exceeding depreciation expense of \$513,103 and disposals of \$306,127 (net of accumulated depreciation) in the fiscal year. \$12,662,320 of the increase in capital outlay is a result of building improvements 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, 2004, the District had \$23,475,000 in general obligation bonds and \$1,568,289 in capital appreciation bonds outstanding. Of this total, \$420,000 is due within one year and \$24,623,289 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2004	2003
General obligation bonds	\$ 23,475,000	\$ 23,690,000
Capital appreciation bonds	1,568,289	1,309,958
Total	\$ 25,043,289	\$ 24,999,958

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

Current Financial Related Activities

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

The District has been able to use a very conservative financial approach. The District operates at the 20 mill floor and has an inside millage of 5 mills.

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, completed during the fiscal year, and a new high school scheduled to be completed in the Spring of 2005.

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, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 5,573,640
Cash with escrow agent	213,342
Investments	9,991,591
Receivables:	
Taxes	6,798,294
Accounts	6,707
Intergovernmental.	50,571
Accrued interest.	64,368
Prepayments	19,095
Materials and supplies inventory	7,011
Capital assets:	
Land and construction-in-progress	7,101,325
Depreciable capital assets, net.	10,022,692
Capital assets, net	17,124,017
Total assets.	39,848,636
Liabilities:	
Accounts payable.	8,235
Contracts payable.	1,149,232
Retainage payable	213,342
Accrued wages and benefits	967,779
Pension obligation payable.	258,727
Intergovernmental payable	40,254
Deferred revenue	5,344,313
Accrued interest payable	37,303
Long-term liabilities:	
Due within one year.	480,708
Due in more than one year	25,305,506
Total liabilities	33,805,399
Net Assets:	
Invested in capital assets, net	
of related debt.	4,375,667
Restricted for:	
Capital projects	11,658,517
Debt service.	994,139
Other purposes	56,454
Unrestricted (deficit)	(11,041,540)
Total net assets	\$ 6,043,237

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, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,865,373	\$ 87,774	\$ 286,624	\$ -	\$ (6,490,975)
Special	892,845	-	263,188	-	(629,657)
Vocational	113,243	-	-	-	(113,243)
Adult/continuing education	891	-	-	-	(891)
Support services:					
Pupil	883,509	127,115	11,839	-	(744,555)
Instructional staff	157,564	-	5,690	33,000	(118,874)
Board of education	43,373	-	-	-	(43,373)
Administration	969,881	-	4,155	-	(965,726)
Fiscal	1,133,895	-	-	27,925	(1,105,970)
Business	2,536	-	-	-	(2,536)
Operations and maintenance	599,904	2,745	1,376	-	(595,783)
Pupil transportation	749,821	-	129	-	(749,692)
Central	9,583	-	16,251	-	6,668
Extracurricular	383,466	183,630	-	-	(199,836)
Food service operations	505,927	331,124	123,279	-	(51,524)
Interest and fiscal charges	1,331,407	-	-	-	(1,331,407)
Total governmental activities	\$ 14,643,218	\$ 732,388	\$ 712,531	\$ 60,925	(13,137,374)

General Revenues:

Property taxes levied for:	
General purposes	4,391,207
Debt service	1,676,345
Capital projects	326,384
Grants and entitlements not restricted	
to specific programs	6,690,101
Investment earnings	300,856
Miscellaneous	60,638
Total general revenues	13,445,531
Change in net assets	308,157
Net assets at beginning of year	5,735,080
Net assets at end of year	\$ 6,043,237

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,963,794	\$ 625,539	\$ 1,831,675	\$ 1,107,833	\$ 5,528,841
Cash with escrow agent	-	-	213,342	-	213,342
Investments	-	-	9,991,591	-	9,991,591
Receivables:					
Taxes	4,758,232	1,696,934	-	343,128	6,798,294
Accounts	6,707	-	-	-	6,707
Intergovernmental	-	-	-	50,571	50,571
Accrued interest	-	-	64,368	-	64,368
Interfund receivable	446	-	-	-	446
Due from other funds	20,952	-	-	-	20,952
Advances to other funds	6,568	-	-	-	6,568
Prepayments.	19,095	-	-	-	19,095
Materials and supplies inventory	-	-	-	7,011	7,011
Restricted assets:					
Equity in pooled cash and cash equivalents	44,799	-	-	-	44,799
Total assets	<u>\$ 6,820,593</u>	<u>\$ 2,322,473</u>	<u>\$ 12,100,976</u>	<u>\$ 1,508,543</u>	<u>\$ 22,752,585</u>
Liabilities:					
Accounts payable	\$ 4,688	\$ -	\$ -	\$ 3,547	\$ 8,235
Contracts payable	-	-	1,149,232	-	1,149,232
Retainage payable	-	-	213,342	-	213,342
Accrued wages and benefits	925,394	-	-	42,385	967,779
Compensated absences payable	32,090	-	-	-	32,090
Pension obligation payable.	34,082	-	-	125,728	159,810
Intergovernmental payable.	38,255	-	-	1,999	40,254
Interfund payable.	-	-	-	446	446
Due to other funds	-	-	-	20,952	20,952
Advances from other funds	-	-	-	6,568	6,568
Deferred revenue.	3,833,695	1,322,703	46,853	273,382	5,476,633
Total liabilities	<u>4,868,204</u>	<u>1,322,703</u>	<u>1,409,427</u>	<u>475,007</u>	<u>8,075,341</u>
Fund Balances:					
Reserved for encumbrances.	59,528	-	7,871,527	19,096	7,950,151
Reserved for materials and supplies inventory	-	-	-	7,011	7,011
Reserved for prepayments.	19,095	-	-	-	19,095
Reserved for property tax unavailable for appropriation	924,537	374,231	-	69,746	1,368,514
Reserved for budget stabilization	44,799	-	-	-	44,799
Reserved for debt service	-	625,539	-	-	625,539
Reserved for advances	6,568	-	-	-	6,568
Unreserved, undesignated, reported in:					
General fund	897,862	-	-	-	897,862
Special revenue funds.	-	-	-	54,880	54,880
Capital projects funds.	-	-	2,820,022	882,803	3,702,825
Total fund balances	<u>1,952,389</u>	<u>999,770</u>	<u>10,691,549</u>	<u>1,033,536</u>	<u>14,677,244</u>
Total liabilities and fund balances.	<u>\$ 6,820,593</u>	<u>\$ 2,322,473</u>	<u>\$ 12,100,976</u>	<u>\$ 1,508,543</u>	<u>\$ 22,752,585</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, 2004

Total governmental fund balances		\$ 14,677,244
<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.		17,124,017
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		132,320
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	(710,835)	
Pension obligation payable	(98,917)	
General obligation bonds payable	(23,475,000)	
Capital appreciation bonds payable	(1,568,289)	
Accrued interest payable	(37,303)	
Total		<u>(25,890,344)</u>
Net assets of governmental activities		<u><u>\$ 6,043,237</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 4,370,839	\$ 1,644,673	\$ -	\$ 325,099	\$ 6,340,611
Tuition	8,533	-	-	-	8,533
Earnings on investments	14,062	-	286,794	-	300,856
Charges for services	-	-	-	331,124	331,124
Extracurricular	3,786	-	-	281,937	285,723
Classroom materials and fees	75,455	-	-	-	75,455
Other local revenues	62,483	-	900	37,858	101,241
Intergovernmental - Intermediate	-	-	-	5,500	5,500
Intergovernmental - State	6,532,691	152,190	-	130,514	6,815,395
Intergovernmental - Federal	5,220	-	-	642,532	647,752
Total revenues	<u>11,073,069</u>	<u>1,796,863</u>	<u>287,694</u>	<u>1,754,564</u>	<u>14,912,190</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,852,859	-	-	355,432	6,208,291
Special	641,788	-	-	243,357	885,145
Vocational	113,243	-	-	-	113,243
Adult/continuing education	891	-	-	-	891
Support services:					
Pupil	752,763	-	-	134,613	887,376
Instructional staff	113,609	-	-	21,581	135,190
Board of education	43,373	-	-	-	43,373
Administration	971,456	-	-	5,326	976,782
Fiscal	1,091,537	33,845	-	6,789	1,132,171
Business	2,536	-	-	-	2,536
Operations and maintenance	546,647	-	-	1,739	548,386
Pupil transportation	712,224	-	-	196	712,420
Central	-	-	-	9,583	9,583
Extracurricular activities	172,406	-	-	199,463	371,869
Food service operations	-	-	-	475,732	475,732
Facilities acquisition and construction	-	-	12,662,320	79,751	12,742,071
Debt service:					
Principal retirement	-	215,000	-	-	215,000
Interest and fiscal charges	-	1,073,417	-	-	1,073,417
Total expenditures	<u>11,015,332</u>	<u>1,322,262</u>	<u>12,662,320</u>	<u>1,533,562</u>	<u>26,533,476</u>
Excess of revenues under expenditures	<u>57,737</u>	<u>474,601</u>	<u>(12,374,626)</u>	<u>221,002</u>	<u>(11,621,286)</u>
Other financing sources (uses):					
Transfers in	-	-	-	25,809	25,809
Transfers (out)	(25,809)	-	-	-	(25,809)
Total other financing sources (uses)	<u>(25,809)</u>	<u>-</u>	<u>-</u>	<u>25,809</u>	<u>-</u>
Net change in fund balances	31,928	474,601	(12,374,626)	246,811	(11,621,286)
Fund balances at beginning of year (restated)					
	<u>1,920,461</u>	<u>525,169</u>	<u>23,066,175</u>	<u>786,725</u>	<u>26,298,530</u>
Fund balances at end of year	<u>\$ 1,952,389</u>	<u>\$ 999,770</u>	<u>\$ 10,691,549</u>	<u>\$ 1,033,536</u>	<u>\$ 14,677,244</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, 2004

Net change in fund balances - total governmental funds	\$	(11,621,286)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$12,801,607) exceed depreciation expense (\$513,103) in the current period.		12,288,504
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(306,127)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		39,185
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		215,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(257,990)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(49,129)
Change in net assets of governmental activities	\$	<u>308,157</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,903,540	\$ 4,903,540	\$ 4,328,205	\$ (575,335)
Tuition.	9,667	9,667	8,533	(1,134)
Earnings on investments.	15,931	15,931	14,062	(1,869)
Extracurricular.	4,289	4,289	3,786	(503)
Classroom materials and fees	85,485	85,485	75,455	(10,030)
Other local revenues	59,995	59,995	52,956	(7,039)
Intergovernmental - State	7,401,062	7,401,062	6,532,691	(868,371)
Intergovernmental - Federal.	5,914	5,914	5,220	(694)
Total revenues.	<u>12,485,883</u>	<u>12,485,883</u>	<u>11,020,908</u>	<u>(1,464,975)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,768,410	5,714,497	5,383,462	331,035
Special.	696,952	690,438	650,442	39,996
Vocational.	114,221	113,154	106,599	6,555
Support services:				
Pupil.	763,863	756,723	712,887	43,836
Instructional staff	132,334	131,097	123,503	7,594
Board of education	47,588	47,143	44,412	2,731
Administration.	1,059,781	1,049,876	989,058	60,818
Fiscal	1,265,119	1,253,295	1,180,693	72,602
Business	2,717	2,692	2,536	156
Operations and maintenance.	958,680	949,720	894,704	55,016
Pupil transportation	805,810	798,278	752,035	46,243
Extracurricular activities.	176,072	174,426	164,322	10,104
Total expenditures	<u>11,791,547</u>	<u>11,681,339</u>	<u>11,004,653</u>	<u>676,686</u>
Excess of revenues over (under) expenditures.	<u>694,336</u>	<u>804,544</u>	<u>16,255</u>	<u>(788,289)</u>
Other financing sources (uses):				
Refund of prior year expenditure.	1,000	1,000	-	(1,000)
Transfers in.	4,904	4,904	75,164	70,260
Transfers (out)	(106,188)	(105,196)	(99,102)	6,094
Advances in.	8,213	8,213	8,713	500
Advances (out)	(478)	(473)	(446)	27
Total other financing sources (uses)	<u>(92,549)</u>	<u>(91,552)</u>	<u>(15,671)</u>	<u>75,881</u>
Net change in fund balance	601,787	712,992	584	(712,408)
Fund balance at beginning of year.	1,910,290	1,910,290	1,910,290	-
Prior year encumbrances appropriated	57,216	57,216	57,216	-
Fund balance at end of year	<u>\$ 2,569,293</u>	<u>\$ 2,680,498</u>	<u>\$ 1,968,090</u>	<u>\$ (712,408)</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, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 42,288
Total assets	<u>\$ 42,288</u>
Liabilities:	
Due to students	\$ 42,288
Total liabilities	<u>\$ 42,288</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, 2004**

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 316th largest in the State of Ohio among 613 public school districts in terms of enrollment. It is staffed by 71 non-certificated employees and 126 certificated full-time teaching personnel who provide services to 1,785 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 organization 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 this 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, 2004

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 POOL

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.

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.

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.

Building Fund - The building capital projects fund is used to account for the accumulation of resources used for facility improvements other than those accounted for in other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 private-purpose 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 include 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).

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, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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 2004 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.
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 2004.
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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, 2004, 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" and "Investments" on the basic financial statements.

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal securities. 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.

The District has invested funds in STAR Ohio during fiscal 2004. 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, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and building fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$14,062, which includes \$5,629 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 Treasurer's investment account at fiscal year-end is provided in Note 4.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities 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 "interfund receivables/payables" and "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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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, 2004, 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, 2004, 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.

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, prepayments, advances, debt service, budget stabilization, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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

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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources 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.

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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a budget stabilization reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 15.

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 and after nonoperating revenues/expenses in proprietary fund. 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 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Building Fund</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 1,945,888	\$ 525,169	\$ 23,066,175	\$ 757,098	\$ 26,294,330
Fund reclassifications	-	-	-	(5,631)	(5,631)
Restatement for interfund loans	(35,258)	-	-	35,258	-
Implementation of GASB Interpretation No. 6	<u>9,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,831</u>
Restated fund balance, June 30, 2003	<u>\$ 1,920,461</u>	<u>\$ 525,169</u>	<u>\$ 23,066,175</u>	<u>\$ 786,725</u>	<u>\$ 26,298,530</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 26,298,530
GASB 34 adjustments:	
Long-term (deferred) assets	93,135
Capital assets	5,141,640
Accrued interest payable	(37,644)
Pension obligation	(87,219)
Long-term liabilities	<u>(25,673,362)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 5,735,080</u>

B. Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 26,960
Entry Year Program	23
IDEA Part B	1,039
Title I	40,172
Improving Teacher Quality	15,240

The Entry Year Program and IDEA Part B funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end. The Food Service, Title I and Improving Teacher Quality had cash basis deficits at 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 results from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments". Statutes require the classification of monies held by the District into three categories.

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or 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 2% 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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.

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

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$46,714 and the bank balance was \$161,546. Of the bank balance:

1. \$100,127 was covered by federal depository insurance; and
2. \$61,419 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)

	<u>Category 2</u>	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	\$ -	\$ 3,563,730	\$ 3,563,730	\$ 3,563,730
Federal securities	<u>9,991,591</u>	<u>-</u>	9,991,591	9,991,591
	<u>\$ 9,991,591</u>	<u>\$ 3,563,730</u>		
Investment in STAR Ohio			<u>2,218,826</u>	<u>2,218,826</u>
Total investments			<u>\$ 15,774,147</u>	<u>\$ 15,774,147</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 5,829,270	\$ 9,991,591
Investments of the cash management pool:		
Repurchase agreement	(3,563,730)	3,563,730
Investment in STAR Ohio	<u>(2,218,826)</u>	<u>2,218,826</u>
GASB Statement No. 3	<u>\$ 46,714</u>	<u>\$ 15,774,147</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 446

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are 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, 2004 are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2004 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	\$ 20,952

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, 2004 are reported on the statement of net assets.

- C.** Interfund balances at June 30, 2004 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	\$ 6,568

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, 2004 are reported on the statement of net assets.

- D.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	<u>25,809</u>
Total transfers	<u>\$ 25,809</u>

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2004, are available to finance fiscal year 2004 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$924,537 in the general fund, \$69,746 in the Permanent Improvement capital projects fund, and \$374,231 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$881,903 in the general fund, \$66,664 in the Permanent Improvement capital projects fund, and \$352,902 in the debt service fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 167,284,010	85.73	\$ 180,704,440	87.29
Tangible personal property	<u>27,843,690</u>	<u>14.27</u>	<u>26,318,280</u>	<u>12.71</u>
Total	<u>\$ 195,127,700</u>	<u>100.00</u>	<u>\$ 207,022,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 51.40		\$ 48.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 6,798,294
Accounts	6,707
Intergovernmental	50,571
Accrued interest	<u>64,368</u>
Total	<u>\$ 6,919,940</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to errors and omissions in the amount previously reported, reclassification of an enterprise fund, and for recording accumulated depreciation as of July 1, 2003 in connection with the adoption of GASB 34:

	Balance 6/30/03	Adjustments	Restated Balance 07/01/03
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ -	\$ 375,442	\$ 375,442
Construction-in-progress	<u>209,312</u>	<u>-</u>	<u>209,312</u>
Total capital assets, not being depreciated	<u>209,312</u>	<u>375,442</u>	<u>584,754</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	388,321	700,700	1,089,021
Buildings and improvement	13,586,281	(81,154)	13,505,127
Furniture and equipment	1,347,983	1,168,788	2,516,771
Vehicles	<u>1,266,490</u>	<u>(71,372)</u>	<u>1,195,118</u>
Total capital assets, being depreciated	<u>16,589,075</u>	<u>1,716,962</u>	<u>18,306,037</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(13,749,151)</u>	<u>(13,749,151)</u>
Governmental activities capital assets, net	<u>\$ 16,798,387</u>	<u>\$ (11,656,747)</u>	<u>\$ 5,141,640</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 375,442	\$ -	\$ -	\$ 375,442
Construction-in-progress	<u>209,312</u>	<u>12,662,320</u>	<u>(6,145,749)</u>	<u>6,725,883</u>
Total capital assets, not being depreciated	<u>584,754</u>	<u>12,662,320</u>	<u>(6,145,749)</u>	<u>7,101,325</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,089,021	-	-	1,089,021
Buildings and improvements	13,505,127	6,196,069	(2,297,732)	17,403,464
Furniture and equipment	2,516,771	34,442	(41,807)	2,509,406
Vehicles	<u>1,195,118</u>	<u>54,525</u>	<u>-</u>	<u>1,249,643</u>
Total capital assets, being depreciated	<u>18,306,037</u>	<u>6,285,036</u>	<u>(2,339,539)</u>	<u>22,251,534</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(517,067)	(36,753)	-	(553,820)
Buildings and improvements	(11,213,160)	(123,951)	2,006,057	(9,331,054)
Furniture and equipment	(1,199,379)	(275,089)	27,355	(1,447,113)
Vehicles	<u>(819,545)</u>	<u>(77,310)</u>	<u>-</u>	<u>(896,855)</u>
Total accumulated depreciation	<u>(13,749,151)</u>	<u>(513,103)</u>	<u>2,033,412</u>	<u>(12,228,842)</u>
Governmental activities capital assets, net	<u>\$ 5,141,640</u>	<u>\$ 18,434,253</u>	<u>\$ (6,451,876)</u>	<u>\$ 17,124,017</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 310,702

Support Services:

Pupil	2,730
Instructional staff	22,229
Administration	14,153
Fiscal	1,806
Operations and maintenance	24,530
Pupil transportation	83,157
Extracurricular activities	29,326
Food service operations	<u>24,470</u>

Total depreciation expense \$ 513,103

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$67,478 from \$605,926 to \$673,404 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. In addition, pension obligations of \$67,932 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. In addition, a restatement of general obligation bonds is presented for \$42 due to the principal amount of the capital appreciation bonds. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$496 from \$25,673,858 to \$25,673,362. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Restated Balance Outstanding 06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/04</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Current interest bonds	2.0-5.0%	\$ 23,690,000	\$ -	\$ (215,000)	\$ 23,475,000	\$ 420,000
Capital appreciation bonds	10.61%	<u>1,309,958</u>	<u>258,331</u>	<u>-</u>	<u>1,568,289</u>	<u>-</u>
Total general obligation bonds payable		<u>\$ 24,999,958</u>	<u>\$ 258,331</u>	<u>\$ (215,000)</u>	<u>\$ 25,043,289</u>	<u>\$ 420,000</u>
<u>Other Long-Term Obligations:</u>						
Compensated absences		<u>673,404</u>	<u>183,277</u>	<u>(113,756)</u>	<u>742,925</u>	<u>60,708</u>
Total governmental activities		<u>\$ 25,673,362</u>	<u>\$ 441,608</u>	<u>\$ (328,756)</u>	<u>\$ 25,786,214</u>	<u>\$ 480,708</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 \$1,309,958. 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, 2004 was \$1,568,289. A total of \$131,864 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2004.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - 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:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 420,000	\$ 1,067,068	\$ 1,487,068	\$ -	\$ -	\$ -
2006	480,000	1,057,948	1,537,948	-	-	-
2007	-	1,053,027	1,053,027	535,000	-	535,000
2008	-	1,053,028	1,053,028	550,000	-	550,000
2009	-	1,053,027	1,053,027	630,000	-	630,000
2010 - 2014	3,165,000	5,043,754	8,208,754	665,000	-	665,000
2015 - 2019	4,230,000	4,238,784	8,468,784	-	-	-
2020 - 2024	5,285,000	3,147,786	8,432,786	-	-	-
2025 - 2029	6,715,000	1,667,375	8,382,375	-	-	-
2030 - 2031	3,180,000	161,000	3,341,000	-	-	-
Total	<u>\$ 23,475,000</u>	<u>\$ 19,542,797</u>	<u>\$ 43,017,797</u>	<u>\$ 2,380,000</u>	<u>\$ -</u>	<u>\$ 2,380,000</u>

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of 1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District maintains a \$5,000,000 umbrella in excess of the limits for errors and omissions. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$27,927,764.

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 2004), 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 10 - RISK MANAGEMENT - (Continued)

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. 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 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$219,675, \$198,876, and \$191,988, respectively; 46% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$118,128, represents the unpaid contribution for fiscal year 2004.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, 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% 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. 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2004 and 2003, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$728,050, \$685,728, and \$628,488, respectively; 83% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$120,416 represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$7,384 made by the District and \$18,733 made by plan members.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$52,004 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$94,886 during the 2004 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 584
Net adjustment for revenue accruals	52,161
Net adjustment for expenditure accruals	(72,134)
Net adjustment for other sources/uses	(10,138)
Adjustment for encumbrances	61,455
GAAP basis	\$ 31,928

NOTE 14 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 14 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

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

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

NOTE 15 - 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, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	(Restated) <u>Capital Acquisition</u>	<u>Budget Reserve</u>
Set-aside cash balance as of June 30, 2003	\$ -	\$ -	\$ 44,799
Current year set-aside requirement	229,747	229,747	-
Allowable offsets	-	(25,000,000)	-
Qualifying disbursements	<u>(295,264)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (65,517)</u>	<u>\$ (24,770,253)</u>	<u>\$ 44,799</u>
Cash balance/carry forward to FY 2005	<u>\$ (65,517)</u>	<u>\$ (24,770,253)</u>	<u>\$ 44,799</u>

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. In addition, the District had offsets from issuing bonds in fiscal year 2003, which has been restated, that reduced the capital acquisition set-aside amount below zero. The current year 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, 2004 follows:

Amounts restricted for budget reserve	<u>\$ 44,799</u>
Total restricted assets	<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, 2004

NOTE 16 - CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2004, the District had the following outstanding contractual commitments at fiscal year-end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Amount Outstanding</u>
<u>Monroe Elementary:</u>			
Valley Interior Systems	\$ 71,909	\$ 50,490	\$ 21,419
Ricker Remodeling	248,975	239,682	9,293
Gutridge Plumbing	477,929	414,162	63,767
Dupont Flooring Systems	118,847	-	118,847
Fayette Fire & Safety	108,941	100,151	8,790
Howard's Sheet Metal	740,573	582,037	158,536
Royal Electric	636,271	551,916	84,355
Telephony & Data Solutions	106,984	-	106,984
Charter Hill Construction Co.	2,900,171	2,538,902	361,269
Simplex Grinnel	105,385	98,055	7,330
	<u>5,515,985</u>	<u>4,575,395</u>	<u>940,590</u>
 <u>Jonathan Alder High School:</u>			
Hilliard Glass	106,355	77,046	29,309
International Masonry	2,027,888	1,343,861	684,027
Dalmation Fire, Inc.	207,293	85,328	121,965
Performance Site Management	748,128	668,624	79,504
Apex/M&P Construction	5,544,883	1,584,415	3,960,468
Settle Muter Electric	1,676,641	483,551	1,193,090
Howard's Sheet Metal	1,731,230	1,061,635	669,595
General Temperature Control	856,301	434,780	421,521
Telephony & Data Solutions	213,969	-	213,969
Simplex Grinnel	183,897	98,055	85,842
The Righter Company	180,700	-	180,700
General Temp Control	165,000	-	165,000
Settle Muter Electric	61,000	-	61,000
	<u>13,703,285</u>	<u>5,837,295</u>	<u>7,865,990</u>
 <u>Architects and Management:</u>			
McDonald, Cassell & Bassett	1,528,840	1,369,330	159,510
The Quandel Group	1,340,000	1,037,141	302,859
	<u>2,868,840</u>	<u>2,406,471</u>	<u>462,369</u>
 <u>Athletic Facility:</u>			
Dave York Sports	521,664	-	521,664
Triec Electrical	84,500	-	84,500
	<u>606,164</u>	<u>-</u>	<u>606,164</u>
	<u>\$ 22,694,275</u>	<u>\$ 12,819,161</u>	<u>\$ 9,875,114</u>

SUPPLEMENTAL DATA

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A), (B) Food Distribution	10.550	N/A	\$ -	\$ 33,616	\$ -	\$ 33,616
(A), (C) School Breakfast Program	10.553	048264-LL-P4-2004	89,438	-	89,438	-
Total U.S. Department of Agriculture and Nutrition Cluster			<u>89,438</u>	<u>33,616</u>	<u>89,438</u>	<u>33,616</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	048264-C1-S1-2003	12,353		42,035	
Title I - Grants to Local Educational Agencies	84.010	048264-C1-S1-2004	147,691		137,179	
Total Title I			<u>160,044</u>		<u>179,214</u>	
Special Education: Grants to States	84.027	048264-6B-SF-2003-P	11,459		-	
Special Education: Grants to States	84.027	048264-6B-SF-2004	217,147		167,345	
Total Special Education: Grants to States			<u>228,606</u>		<u>167,345</u>	
(E) Safe and Drug-Free Schools	84.186	048264-DR-S1-2003	(184)		-	
Safe and Drug-Free Schools	84.186	048264-DR-S1-2004	8,347		8,228	
Total Safe and Drug-Free Schools			<u>8,163</u>		<u>8,228</u>	
State Grants for Innovative Programs	84.298	048264-C2-S1-2003	3,230		8,190	
State Grants for Innovative Programs	84.298	048264-C2-S1-2004	9,161		3,900	
Total State Grants for Innovative Programs			<u>12,391</u>		<u>12,090</u>	
(F) Technology Literacy Challenge Fund Grants	84.318	048264-TJ-S1-2003	(706)		1,109	
Technology Literacy Challenge Fund Grants	84.318	048264-TJ-S1-2004	3,995		2,698	
Total Technology Literacy Challenge Fund Grants			<u>3,289</u>		<u>3,807</u>	
Advanced Placement Program	84.330	048264-AV-S1-2003	100		-	
Improving Teacher Quality State Grants	84.367	048264-TR-S1-2003	25,132		8,982	
Improving Teacher Quality State Grants	84.367	048264-TR-S1-2004	64,982		62,867	
Total Improving Teacher Quality State Grants			<u>90,114</u>		<u>71,849</u>	
Total U.S. Department of Education			<u>502,707</u>		<u>442,533</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System	93.778	N/A	5,220		5,220	
Total Federal Financial Assistance			<u>\$ 597,365</u>	<u>\$ 33,616</u>	<u>\$ 537,191</u>	<u>\$ 33,616</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(D) This schedule was prepared on the cash basis of accounting.
(E) The amount of \$184 was transferred to the next grant year based on Ohio Department of Education administrative action.
(F) The amount of \$706 was transferred to the next grant year based on Ohio Department of Education administrative action.

TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

Board of Education
Jonathan Alder Local School District
6440 Kilbury Huber Road
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, 2004, which collectively comprise the Jonathan Alder Local School District’s basic financial statements and have issued our report thereon dated February 25, 2005. During the fiscal year ended June 30, 2004, the Jonathan Alder Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. 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 opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Jonathan Alder Local School District in a separate letter dated February 25, 2005.

Board of Education
Jonathan Alder Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonathan Alder Local School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Jonathan Alder Local School District in a separate letter dated February 25, 2005.

This report is intended solely for the information of the Board and management of the Jonathan Alder Local School District, 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.



Trimble, Julian & Grube, Inc.
February 25, 2005

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

Board of Education
Jonathan Alder Local School District
6440 Kilbury Huber Road
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 each major federal program for the fiscal year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. During the fiscal year ended June 30, 2004, the Jonathan Alder Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. Compliance with the requirements of laws, regulations, contracts and grants applicable to each 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.

Board of Education
Jonathan Alder Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

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. However, we noted a matter involving the internal control over compliance, which we have reported to the management of Jonathan Alder Local School District in a separate letter dated February 25, 2005.

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.

Trimble, Julian & Grube, Inc.

Trimble, Julian & Grube, Inc.
February 25, 2005

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS		
<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)?	No
<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:	Title I, CFDA #84.010
<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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-JALSD-001	Ohio Revised Code Section 5705.41 (D) in part requires that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached.	No	Reported in the management letter regarding invoices dated prior to purchase order.
2003-JALSD-002	Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies.	No	Reported in the management letter regarding monies paid into any fund be used only for the purpose which such fund is established.



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JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2005**