

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jonathan Alder Local School District  
Madison County  
9200 U.S. Route 42 South  
Plain City, Ohio 43064

To the Board of Education:

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 year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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, Ohio, as of June 30, 2008, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 20, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$1,908,126 which represents a 32.74% increase from 2007.
- General revenues accounted for \$17,065,848 in revenue or 84.04% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,240,471 or 15.96% of total revenues of \$20,306,319.
- The District had \$18,398,193 in expenses related to governmental activities; \$3,240,471 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 \$17,065,848 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$15,932,223 in revenues and \$14,793,484 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$1,138,739 from \$1,306,749 to \$2,445,488.
- The debt service fund had revenues and other financing sources of \$11,764,516 and expenditures and other financing uses of 11,478,777. The debt service fund's fund balance increased \$285,739 from \$1,460,648 to \$1,746,387.

**Using these Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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 2008?" The statement of net assets and 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 statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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 21-50 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Assets</u></b>		
Current and other assets	\$ 12,176,491	\$ 11,208,731
Capital assets, net	<u>27,076,634</u>	<u>27,382,207</u>
<b>Total assets</b>	<u><b>39,253,125</b></u>	<u><b>38,590,938</b></u>
<b><u>Liabilities</u></b>		
Current liabilities	6,754,369	7,517,544
Long-term liabilities	<u>24,763,279</u>	<u>25,246,043</u>
<b>Total liabilities</b>	<u><b>31,517,648</b></u>	<u><b>32,763,587</b></u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,995,624	3,780,592
Restricted	2,547,817	2,178,765
Unrestricted (deficit)	<u>1,192,036</u>	<u>(132,006)</u>
<b>Total net assets</b>	<u><b>\$ 7,735,477</b></u>	<u><b>\$ 5,827,351</b></u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$7,735,477. Of this total, \$2,547,817 is restricted in use.

At fiscal year-end, capital assets represented 68.98% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$3,995,624. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

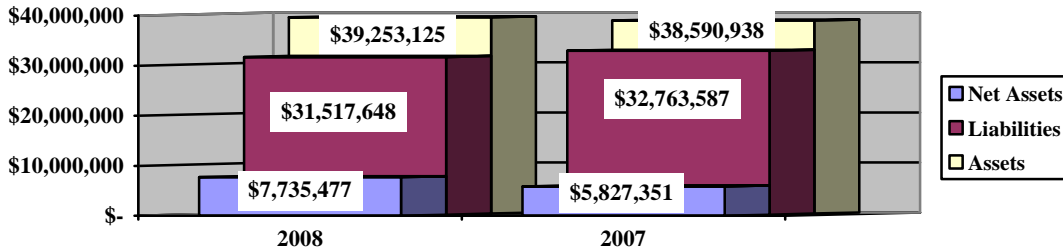
A portion of the District's net assets, \$2,547,817, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is of \$1,192,036.

The table below provides a summary of the District's net assets for 2008 and 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,742,244	\$ 1,484,633
Operating grants and contributions	1,390,680	1,144,484
Capital grants and contributions	107,547	-
General revenues:		
Property taxes	7,771,497	5,554,467
Income taxes	1,669,973	275,665
Grants and entitlements	7,424,618	7,365,024
Investment earnings	102,029	80,477
Other	97,731	36,983
<b>Total revenues</b>	<b>20,306,319</b>	<b>15,941,733</b>

The District levies a voted tax of .75 percent and was effective on November 7, 2006. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. The first quarter income tax receipts were received in April 2007. Fiscal year 2008 was the first full year of income tax revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 7,907,201	\$ 6,923,767
Special	1,180,815	1,144,176
Vocational	141,087	115,387
Other	19,933	139,632
Support services:		
Pupil	1,058,216	825,034
Instructional staff	708,800	589,540
Board of education	130,123	114,420
Administration	1,498,682	1,370,171
Fiscal	446,638	432,010
Business	11,090	5,140
Operations and maintenance	1,747,543	1,780,110
Pupil transportation	1,062,417	943,300
Central	6,858	-
Operations of non-instructional services:		
Food service operations	857,275	799,023
Extracurricular activities	634,033	612,198
Interest and fiscal charges	<u>987,482</u>	<u>1,233,109</u>
Total expenses	<u>18,398,193</u>	<u>17,027,017</u>
Change in net assets	1,908,126	(1,085,284)
Net assets at beginning of year	<u>5,827,351</u>	<u>6,912,635</u>
Net assets at end of year	<u><u>\$ 7,735,477</u></u>	<u><u>\$ 5,827,351</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,908,126. Total governmental expenses of \$18,398,193 were offset by program revenues of \$3,240,471 and general revenues of \$17,065,848. Program revenues supported 17.61% of the total governmental expenses.

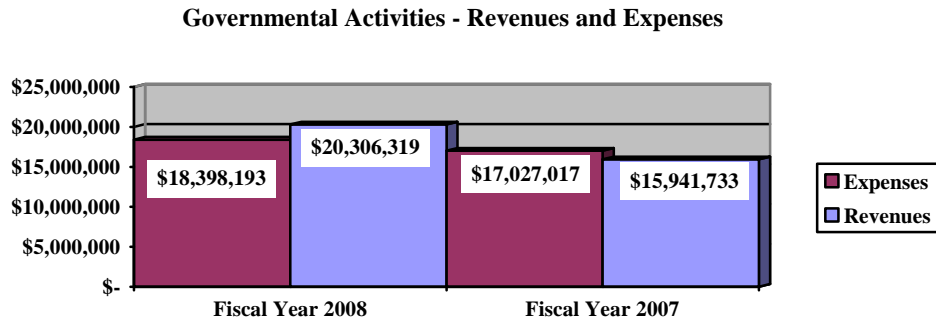
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 83.06% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,249,036 or 50.27% of total governmental expenses for fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.



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

**Governmental Activities**

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,907,201	\$ 6,476,893	\$ 6,923,767	\$ 5,761,760
Special	1,180,815	803,781	1,144,176	829,523
Vocational	141,087	120,804	115,387	115,387
Other	19,933	3,778	139,632	139,632
Support services:				
Pupil	1,058,216	891,637	825,034	679,168
Instructional staff	708,800	585,008	589,540	566,790
Board of education	130,123	130,123	114,420	114,420
Administration	1,498,682	1,498,682	1,370,171	1,370,171
Fiscal	446,638	446,638	432,010	432,010
Business	11,090	11,090	5,140	5,140
Operations and maintenance	1,747,543	1,743,395	1,780,110	1,773,238
Pupil transportation	1,062,417	1,019,521	943,300	921,488
Central	6,858	6,858	-	-
Food service operations	857,275	135,627	799,023	183,057
Extracurricular activities	634,033	296,405	612,198	273,007
Interest and fiscal charges	987,482	987,482	1,233,109	1,233,109
<b>Total expenses</b>	<b>\$ 18,398,193</b>	<b>\$ 15,157,722</b>	<b>\$ 17,027,017</b>	<b>\$ 14,397,900</b>

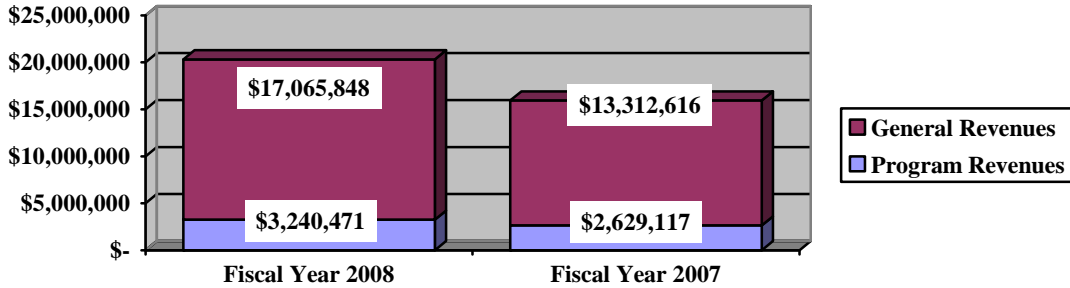
The dependence upon tax and other general revenues for governmental activities is apparent, 80.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.39%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,977,074, which is higher than last year's total of \$3,315,909. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase	Percentage Change
General	\$ 2,445,488	\$ 1,306,749	\$ 1,138,739	87.14 %
Debt Service	1,746,387	1,460,648	285,739	19.56 %
Other Governmental	<u>785,199</u>	<u>548,512</u>	<u>236,687</u>	43.15 %
Total	<u>\$ 4,977,074</u>	<u>\$ 3,315,909</u>	<u>\$ 1,661,165</u>	50.10 %

An analysis of the general fund and debt service fund revenues and expenditures is provided in the section below. The increase in fund balance in the other governmental funds is primarily due to an increase in fund balance in the district managed student activity, food service, improving teacher quality special revenue funds and the building and permanent improvement capital projects funds. The increases in the nonmajor special revenue funds can be attributed to charges for services, extracurricular revenues, and grant revenues exceeding related expenditures for fiscal year 2008. The increase in the fund balance of the building fund is due to a \$150,000 transfer in from the general fund and the permanent improvement fund received more tax revenues than were expended during the fiscal year on District improvements.

**General Fund**

The District's general fund balance increased \$1,138,739. The increase in fund balance can be attributed to increased income tax revenue. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The table below shows the revenues and expenditures of the general fund for fiscal years 2008 and 2007.

	<u>2008</u> Amount	<u>2007</u> Amount	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 7,361,019	\$ 4,344,515	\$ 3,016,504	69.43 %
Tuition	659,970	426,336	233,634	54.80 %
Earnings on investments	102,029	49,692	52,337	105.32 %
Intergovernmental	7,584,185	7,492,314	91,871	1.23 %
Other revenues	<u>225,020</u>	<u>137,398</u>	<u>87,622</u>	63.77 %
 Total	 <u>\$ 15,932,223</u>	 <u>\$ 12,450,255</u>	 <u>\$ 3,481,968</u>	 27.97 %
<b><u>Expenditures</u></b>				
Instruction	\$ 7,960,372	\$ 7,170,283	\$ 790,089	11.02 %
Support services	6,413,311	5,390,862	1,022,449	18.97 %
Extracurricular activities	235,093	223,336	11,757	5.26 %
Debt service	<u>25,080</u>	<u>25,080</u>	<u>-</u>	- %
 Total	 <u>\$ 14,633,856</u>	 <u>\$ 12,809,561</u>	 <u>\$ 1,824,295</u>	 14.24 %

The increase in tax revenues was due to a increase in tax advances available at fiscal year end and increased income tax revenue. The increase in earnings on investments was increased interest rates and more cash available to be invested than during the previous year. The increase in tuition was a result of an increase in open enrollment. The increase in instruction and support services was primarily attributable to anticipated salary and benefit increases.

***Debt Service Fund***

The debt service fund had revenues and other financing sources of \$11,764,516 and expenditures and other financing uses of \$11,478,777. The debt service fund's fund balance increased \$285,739 from \$1,460,648 to \$1,746,387.

***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 year 2008, the District amended its general fund budget several times. For the general fund, original and final budgeted revenues and other financing sources were \$12,571,636 and \$13,268,472 respectively. Actual revenues and other financing sources for fiscal year 2008 was \$14,809,883. This represents a \$1,541,411 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$14,585,300 were increased to \$15,197,685 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$14,707,061, which was \$490,624 less than the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the District had \$27,076,634 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007.

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

	Governmental Activities	
	2008	2007
Land	\$ 381,589	\$ 381,589
Land improvements	2,306,670	2,325,559
Building and improvements	23,190,402	23,570,762
Furniture and equipment	682,756	702,369
Vehicles	515,217	401,928
Total	<u>\$ 27,076,634</u>	<u>\$ 27,382,207</u>

The overall decrease in capital assets of \$305,573 is due to depreciation expense of \$1,177,072 exceeding capital outlays of \$871,499 in the fiscal year.

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

***Debt Administration***

At June 30, 2008, the District had \$22,500,000 in general obligation bonds and \$1,244,585 in capital appreciation bonds outstanding. Of this total, \$685,000 is due within one year and \$23,059,585 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
General obligation bonds	\$ 22,500,000	\$ 22,545,000
Capital appreciation bonds	1,244,585	1,610,222
Total	<u>\$ 23,744,585</u>	<u>\$ 24,155,222</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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. On November 7, 2006, the District passed an income tax levy of 0.75% for five years and collection began during fiscal year 2007.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, 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, 9200 US Route 42 South, Plain City, Ohio 43064.



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2008**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,425,856
Receivables:	
Taxes . . . . .	7,333,210
Accounts . . . . .	8,466
Intergovernmental. . . . .	94,401
Accrued interest. . . . .	5,452
Materials and supplies inventory . . . . .	6,392
Unamortized bond issue costs . . . . .	302,714
Capital assets:	
Land . . . . .	381,589
Depreciable capital assets, net. . . . .	26,695,045
Capital assets, net . . . . .	27,076,634
 Total assets. . . . .	 39,253,125
 <b>Liabilities:</b>	
Accounts payable. . . . .	103,106
Accrued wages and benefits . . . . .	1,315,272
Pension obligation payable. . . . .	325,530
Intergovernmental payable . . . . .	198,392
Unearned revenue. . . . .	4,749,938
Accrued interest payable . . . . .	62,131
Long-term liabilities:	
Due within one year. . . . .	785,265
Due in more than one year . . . . .	23,978,014
 Total liabilities . . . . .	 31,517,648
 <b>Net Assets:</b>	
Invested in capital assets, net	
of related debt. . . . .	3,995,624
Restricted for:	
Capital projects . . . . .	573,525
Debt service. . . . .	1,719,656
Locally funded programs . . . . .	40,940
State funded programs . . . . .	92,874
Federally funded programs . . . . .	898
Student activities . . . . .	64,125
Other purposes . . . . .	55,799
Unrestricted . . . . .	1,192,036
 Total net assets . . . . .	 \$ 7,735,477

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 7,907,201	\$ 783,111	\$ 647,197	\$ -	\$ (6,476,893)
Special . . . . .	1,180,815	-	377,034	-	(803,781)
Vocational . . . . .	141,087	-	20,283	-	(120,804)
Other . . . . .	19,933	-	16,155	-	(3,778)
Support services:					
Pupil. . . . .	1,058,216	119,437	47,142	-	(891,637)
Instructional staff . . . . .	708,800	-	25,863	97,929	(585,008)
Board of education . . . . .	130,123	-	-	-	(130,123)
Administration. . . . .	1,498,682	-	-	-	(1,498,682)
Fiscal. . . . .	446,638	-	-	-	(446,638)
Business. . . . .	11,090	-	-	-	(11,090)
Operations and maintenance . . . . .	1,747,543	4,148	-	-	(1,743,395)
Pupil transportation. . . . .	1,062,417	-	33,278	9,618	(1,019,521)
Central . . . . .	6,858	-	-	-	(6,858)
Operation of non-instructional services:					
Food service operations . . . . .	857,275	499,609	222,039	-	(135,627)
Extracurricular . . . . .	634,033	335,939	1,689	-	(296,405)
Interest and fiscal charges . . . . .	987,482	-	-	-	(987,482)
<b>Total governmental activities . . . . .</b>	<b>\$ 18,398,193</b>	<b>\$ 1,742,244</b>	<b>\$ 1,390,680</b>	<b>\$ 107,547</b>	<b>(15,157,722)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	5,695,858
Debt service. . . . .	1,615,873
Capital projects . . . . .	459,766
School district income tax . . . . .	1,669,973
Grants and entitlements not restricted	
to specific programs. . . . .	7,424,618
Investment earnings . . . . .	102,029
Miscellaneous . . . . .	97,731
<b>Total general revenues. . . . .</b>	<b>17,065,848</b>
Change in net assets . . . . .	1,908,126
<b>Net assets at beginning of year. . . . .</b>	<b>5,827,351</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 7,735,477</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 2,190,230	\$ 1,379,349	\$ 811,478	\$ 4,381,057
Receivables:				
Taxes. . . . .	5,519,797	1,494,628	318,785	7,333,210
Accounts . . . . .	384	-	8,082	8,466
Intergovernmental . . . . .	449	-	93,952	94,401
Accrued interest . . . . .	5,452	-	-	5,452
Interfund receivable . . . . .	146	-	-	146
Due from other funds . . . . .	15,380	-	-	15,380
Materials and supplies inventory . . . . .	-	-	6,392	6,392
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	44,799	-	-	44,799
<b>Total assets . . . . .</b>	<b><u>\$ 7,776,637</u></b>	<b><u>\$ 2,873,977</u></b>	<b><u>\$ 1,238,689</u></b>	<b><u>\$ 11,889,303</u></b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 88,058	\$ -	\$ 15,048	\$ 103,106
Accrued wages and benefits . . . . .	1,202,070	-	113,202	1,315,272
Pension obligation payable. . . . .	296,997	-	28,533	325,530
Intergovernmental payable. . . . .	195,020	-	3,372	198,392
Interfund payable. . . . .	-	-	146	146
Due to other funds . . . . .	-	-	15,380	15,380
Deferred revenue. . . . .	125,287	35,400	43,778	204,465
Unearned revenue . . . . .	3,423,717	1,092,190	234,031	4,749,938
<b>Total liabilities . . . . .</b>	<b><u>5,331,149</u></b>	<b><u>1,127,590</u></b>	<b><u>453,490</u></b>	<b><u>6,912,229</u></b>
<b>Fund Balances:</b>				
Reserved for encumbrances. . . . .	79,314	-	25,764	105,078
Reserved for materials and supplies inventory . . . . .	-	-	6,392	6,392
Reserved for property tax unavailable for appropriation . . . . .	1,176,543	367,038	75,581	1,619,162
Reserved for BWC refunds. . . . .	44,799	-	-	44,799
Reserved for debt service . . . . .	-	1,379,349	-	1,379,349
Unreserved, undesignated, reported in:				
General fund . . . . .	1,144,832	-	-	1,144,832
Special revenue funds. . . . .	-	-	204,161	204,161
Capital projects funds. . . . .	-	-	473,301	473,301
<b>Total fund balances . . . . .</b>	<b><u>2,445,488</u></b>	<b><u>1,746,387</u></b>	<b><u>785,199</u></b>	<b><u>4,977,074</u></b>
<b>Total liabilities and fund balances. . . . .</b>	<b><u>\$ 7,776,637</u></b>	<b><u>\$ 2,873,977</u></b>	<b><u>\$ 1,238,689</u></b>	<b><u>\$ 11,889,303</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008**

<b>Total governmental fund balances</b>		\$ 4,977,074
<i>Amounts reported for governmental activities on 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.		27,076,634
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 169,860	
Intergovernmental revenue	<u>34,605</u>	
Total		204,465
Unamortized bond issuance costs are not recognized in the funds.		302,714
Unamortized premiums on bond issuance are not recognized in the funds.		(1,142,482)
Deferred charges on refunding bonds are not recognized in the funds.		999,565
On the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(62,131)
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	(834,948)	
Capital lease obligation payable	(40,829)	
General obligation bonds payable	(22,500,000)	
Capital appreciation bonds payable	<u>(1,244,585)</u>	
Total		<u>(24,620,362)</u>
<b>Net assets of governmental activities</b>		<u>\$ 7,735,477</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 7,361,019	\$ 1,614,525	\$ 459,416	\$ 9,434,960
Tuition . . . . .	659,970	-	-	659,970
Earnings on investments . . . . .	102,029	-	-	102,029
Charges for services . . . . .	-	-	490,709	490,709
Extracurricular . . . . .	4,148	-	445,775	449,923
Classroom materials and fees . . . . .	104,743	-	-	104,743
Other local revenues . . . . .	116,129	-	118,119	234,248
Intergovernmental - intermediate . . . . .	-	-	1,553	1,553
Intergovernmental - State . . . . .	7,584,185	242,174	139,288	7,965,647
Intergovernmental - Federal . . . . .	-	-	836,600	836,600
Total revenues . . . . .	<u>15,932,223</u>	<u>1,856,699</u>	<u>2,491,460</u>	<u>20,280,382</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,613,660	-	668,360	7,282,020
Special . . . . .	1,206,724	-	308	1,207,032
Vocational . . . . .	139,988	-	-	139,988
Other . . . . .	-	-	19,933	19,933
Support services:				
Pupil . . . . .	905,410	-	137,612	1,043,022
Instructional staff . . . . .	692,749	-	16,051	708,800
Board of education . . . . .	130,123	-	-	130,123
Administration . . . . .	1,393,900	-	-	1,393,900
Fiscal . . . . .	410,003	31,729	7,979	449,711
Business . . . . .	11,090	-	-	11,090
Operations and maintenance . . . . .	1,687,008	-	-	1,687,008
Pupil transportation . . . . .	1,183,028	-	1,002	1,184,030
Operation of non-instructional services:				
Food service operations . . . . .	-	-	642,984	642,984
Extracurricular activities . . . . .	235,093	-	307,136	542,229
Facilities acquisition and construction . . . . .	-	-	613,036	613,036
Debt service:				
Principal retirement . . . . .	20,897	570,000	-	590,897
Interest and fiscal charges . . . . .	4,183	802,544	-	806,727
Bond issuance costs . . . . .	-	158,025	-	158,025
Total expenditures . . . . .	<u>14,633,856</u>	<u>1,562,298</u>	<u>2,414,401</u>	<u>18,610,555</u>
Excess of revenues over expenditures . . . . .	<u>1,298,367</u>	<u>294,401</u>	<u>77,059</u>	<u>1,669,827</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	159,628	159,628
Transfers (out) . . . . .	(159,628)	-	-	(159,628)
Issuance of refunding bonds . . . . .	-	9,449,996	-	9,449,996
Premium on sale of bonds . . . . .	-	457,821	-	457,821
Payment to refunded bond escrow . . . . .	-	(9,916,479)	-	(9,916,479)
Total other financing sources (uses) . . . . .	<u>(159,628)</u>	<u>(8,662)</u>	<u>159,628</u>	<u>(8,662)</u>
Net change in fund balances . . . . .	1,138,739	285,739	236,687	1,661,165
<b>Fund balances at beginning of year . . . . .</b>	<u>1,306,749</u>	<u>1,460,648</u>	<u>548,512</u>	<u>3,315,909</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,445,488</u>	<u>\$ 1,746,387</u>	<u>\$ 785,199</u>	<u>\$ 4,977,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**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, 2008**

**Net change in fund balances - total governmental funds** \$ 1,661,165

*Amounts reported for governmental activities in the statement of activities are different because:*

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.

Capital outlay	\$ 871,499	
Depreciation expense	(1,177,072)	
<b>Total</b>		<b>(305,573)</b>

Premiums on bonds issuances are recognized as an other financing source in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. (457,821)

Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. 158,025

Payments to refunding bond escrow agents for the retirement of bonds are an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred in the fiscal year:

Bonds refunded	9,450,000	
Deferred charges on refundings	466,479	
<b>Total</b>		<b>9,916,479</b>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	6,510	
Intergovernmental	19,427	
<b>Total</b>		<b>25,937</b>

Repayment of bond and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal and accreted interest payments during the year were:

Current interest bonds	20,000	
Capital appreciation bonds	319,902	
Accreted interest	230,098	
Capital lease	20,897	
<b>Total</b>		<b>590,897</b>

The issuance of refunding bonds is recorded as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (9,449,996)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:

Increase in accrued interest payable	(14,506)	
Accreted interest on capital appreciation bonds	(159,367)	
Amortization of deferred charges on refundings	(43,839)	
Amortization of bond premium	50,209	
Amortization of bond issuance costs	(13,252)	
<b>Total</b>		<b>(180,755)</b>

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (50,232)

**Change in net assets of governmental activities** \$ 1,908,126

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**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, 2008**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,173,599	\$ 5,460,368	\$ 6,094,640	\$ 634,272
Tuition . . . . .	560,234	591,287	659,970	68,683
Earnings on investments . . . . .	82,069	86,618	96,679	10,061
Extracurricular . . . . .	3,521	3,716	4,148	432
Classroom materials and fees . . . . .	89,426	94,383	105,346	10,963
Other local revenues . . . . .	99,598	105,119	117,329	12,210
Intergovernmental - State . . . . .	6,563,189	6,926,981	7,731,612	804,631
<b>Total revenues . . . . .</b>	<b>12,571,636</b>	<b>13,268,472</b>	<b>14,809,724</b>	<b>1,541,252</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,556,168	6,557,368	6,566,998	(9,630)
Special . . . . .	1,180,809	1,180,809	1,200,150	(19,341)
Vocational . . . . .	140,274	140,274	137,864	2,410
Other . . . . .	241,000	811,258	-	811,258
Support services:				
Pupil . . . . .	846,595	850,095	870,776	(20,681)
Instructional staff . . . . .	674,445	674,445	694,265	(19,820)
Board of education . . . . .	117,100	117,100	128,932	(11,832)
Administration . . . . .	1,333,427	1,332,227	1,310,718	21,509
Fiscal . . . . .	377,882	377,882	456,743	(78,861)
Business . . . . .	7,500	7,500	9,426	(1,926)
Operations and maintenance . . . . .	1,530,968	1,530,968	1,709,324	(178,356)
Pupil transportation . . . . .	1,090,432	1,109,059	1,207,989	(98,930)
Extracurricular activities . . . . .	238,700	258,700	254,248	4,452
Facilities acquisition and construction . . . . .	250,000	250,000	-	250,000
<b>Total expenditures . . . . .</b>	<b>14,585,300</b>	<b>15,197,685</b>	<b>14,547,433</b>	<b>650,252</b>
Excess of revenues over (under) expenditures . . . . .	(2,013,664)	(1,929,213)	262,291	2,191,504
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	-	-	159	159
Transfers (out) . . . . .	-	-	(159,628)	(159,628)
<b>Total other financing sources (uses) . . . . .</b>	<b>-</b>	<b>-</b>	<b>(159,469)</b>	<b>(159,469)</b>
Net change in fund balance . . . . .	(2,013,664)	(1,929,213)	102,822	2,032,035
<b>Fund balance at beginning of year . . . . .</b>	<b>1,988,954</b>	<b>1,988,954</b>	<b>1,988,954</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>59,075</b>	<b>59,075</b>	<b>59,075</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 34,365</b>	<b>\$ 118,816</b>	<b>\$ 2,150,851</b>	<b>\$ 2,032,035</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2008**

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . . . .	\$	53,413
Receivables:		
Accounts . . . . .		11
		<hr/>
Total assets . . . . .	\$	<u><u>53,424</u></u>
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	310
Intergovernmental payable . . . . .		449
Due to students . . . . .		52,665
		<hr/>
Total liabilities . . . . .	\$	<u><u>53,424</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 286<sup>th</sup> largest in the State of Ohio among 896 public and community school districts in terms of enrollment. It is staffed by 99 non-certified employees and 127 certified full-time teaching personnel who provide services to 1,911 students and other community members. The District currently operates four instructional buildings and a bus garage.

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

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

**A. Reporting Entity**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The following organizations are described due to their relationship to the District:

*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.

Tolles Career & Technical Center

The Tolles Career & Technical 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 Tolles Career & Technical Center, Pam Orr, Treasurer, at 7877 U.S. Route 42 NE, Plain City, Ohio 43064.

*INSURANCE PURCHASING POOLS*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

Metropolitan Educational Council Insurance Program ("MEC")

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

**B. Fund Accounting**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*PROPRIETARY FUND*

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

*FIDUCIARY FUNDS*

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, 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, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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. Allocations 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 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for tax rate determination. The Madison County Commissioner's waived this requirement for fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2008.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**F. Cash and Investments (Continued)**

During fiscal year 2008, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2008. 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 shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$102,029, which includes \$50,547 assigned from other funds.

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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 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 \$5,000. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**H. Capital Assets (Continued)**

All reported capital assets except land 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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds." Receivables and payables resulting from interfund loans are classified as "interfund loans receivable/payable." 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 sick leave liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, 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 sick leave 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 sick leave payments has been calculated using pay rates in effect at June 30, 2008, 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**J. Compensated Absences (Continued)**

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 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, debt service, BWC refunds, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

**M. Net Assets**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2008.

**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 from BWC refunds. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

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

**S. 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 2008.

**R. Unamortized Insurance Costs/Bond Premium and Discount/Accounting Gain or Loss**

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**R. Unamortized Insurance Costs/Bond Premium and Discount/Accounting Gain or Loss  
(Continued)**

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11. A.

**NOTE 3 - ACCOUNTABILITY**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Accountability**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Summer intervention	\$ 1
IDEA Part B grant	279
Title I	26,068
Title V	5
Improving teacher quality	3,829

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 3 – ACCOUNTABILITY - (Continued)**

**B. Accountability (Continued)**

The general fund is liable for any deficits in the nonmajor funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim 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 or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$71,856, exclusive of the \$4,407,345 repurchase agreement, included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$699 of the District's bank balance of \$100,699 was exposed to custodial risk as discussed below, while \$100,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

**B. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase Agreement	\$ 4,407,345	\$ 4,407,345
STAR Ohio	<u>68</u>	<u>68</u>
Total	<u>\$ 4,407,413</u>	<u>\$ 4,407,413</u>

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

*Credit Risk:* The District's investments in the federal agency securities that underlie the District's repurchase agreement, were rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$4,407,345 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 4,407,345	99.998
STAR Ohio	<u>68</u>	<u>0.002</u>
Total	<u>\$ 4,407,413</u>	<u>100.000</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 71,856
Investments	<u>4,407,413</u>
Total	<u>\$ 4,479,269</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,425,856
Agency fund	<u>53,413</u>
Total	<u>\$ 4,479,269</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2008 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	\$15,380

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.

- B.** Interfund balances at June 30, 2008 as reported on the fund statements consist of the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 146

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

- C. Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental funds from:	
General fund	\$ 159,628

Transfers are used to 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 to 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 on the government-wide financial statements.

All transfers made in fiscal year 2008 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**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 year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Madison, Franklin and Union Counties. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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, 2008 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 unearned revenue.

The amount available as an advance at June 30, 2008 was \$1,176,543 in the general fund, \$75,581 in the permanent improvement capital projects fund (a nonmajor governmental fund), and \$367,038 in the debt service fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2007 was \$489,999 in the general fund, \$34,290 in the permanent improvement capital projects fund (a nonmajor governmental fund), and \$158,431 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.

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MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 243,087,920	93.23	\$ 261,238,740	94.91
Tangible personal property	<u>17,650,267</u>	<u>6.77</u>	<u>14,006,605</u>	<u>5.09</u>
Total	<u>\$ 260,738,187</u>	<u>100.00</u>	<u>\$ 275,245,345</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.60		\$34.90	

**NOTE 7 - INCOME TAX**

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on November 7, 2006, and is in effect for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue for fiscal year 2008 totaled \$1,669,973 and is credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2008, consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements, and accrued interest. 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:

<b>Governmental activities:</b>	
Taxes	\$ 7,333,210
Accounts	8,466
Intergovernmental	94,401
Accrued interest	<u>5,452</u>
Total	<u>\$ 7,441,529</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance			Balance
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 381,589	\$ -	\$ -	\$ 381,589
Total capital assets, not being depreciated	<u>381,589</u>	<u>-</u>	<u>-</u>	<u>381,589</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,128,909	132,950	-	3,261,859
Buildings and improvements	34,799,272	465,564	-	35,264,836
Furniture and equipment	1,006,100	44,880	-	1,050,980
Vehicles	<u>1,365,396</u>	<u>228,105</u>	<u>(136,794)</u>	<u>1,456,707</u>
Total capital assets, being depreciated	<u>40,299,677</u>	<u>871,499</u>	<u>(136,794)</u>	<u>41,034,382</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(803,350)	(151,839)	-	(955,189)
Buildings and improvements	(11,228,510)	(845,924)	-	(12,074,434)
Furniture and equipment	(303,731)	(64,493)	-	(368,224)
Vehicles	<u>(963,468)</u>	<u>(114,816)</u>	<u>136,794</u>	<u>(941,490)</u>
Total accumulated depreciation	<u>(13,299,059)</u>	<u>(1,177,072)</u>	<u>136,794</u>	<u>(14,339,337)</u>
Governmental activities capital assets, net	<u>\$ 27,382,207</u>	<u>\$ (305,573)</u>	<u>\$ -</u>	<u>\$ 27,076,634</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 558,805

Support Services:

Administration 77,218

Operations and maintenance 111,270

Pupil transportation 118,309

Central 6,858

Extracurricular activities 91,804

Food service operations 212,808

Total depreciation expense \$ 1,177,072

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

Capital lease payments are reflected as debt service expenditures in the financial statements for the governmental funds and in the budgetary statements. At June 30, 2008, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$103,076, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$72,153, leaving a current book value of \$30,923.

A corresponding liability is recorded in the statement of net assets. Principal payments in fiscal year 2008 totaled \$20,897 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Copiers</u>
2009	\$ 25,080
2010	<u>18,809</u>
Total minimum lease payments	43,889
Less: amount representing interest	<u>(3,060)</u>
Total	<u>\$ 40,829</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2008, the following activity occurred in governmental activities long-term obligations:

	<u>Balance Outstanding 06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/08</u>	<u>Amounts Due in One Year</u>
<b>Governmental activities:</b>					
<u>General Obligation Bonds:</u>					
Series 2002	\$ 14,970,298	\$ 142,420	\$ (10,000,000)	\$ 5,112,718	\$ 630,000
Series 2006	9,184,924	11,668	(20,000)	9,176,592	30,000
Series 2007	<u>-</u>	<u>9,455,275</u>	<u>-</u>	<u>9,455,275</u>	<u>25,000</u>
Total general obligation bonds	<u>24,155,222</u>	<u>9,609,363</u>	<u>(10,020,000)</u>	<u>23,744,585</u>	<u>685,000</u>
<u>Other Long-Term Obligations:</u>					
Capital lease obligations	61,726	-	(20,897)	40,829	22,632
Compensated absences	<u>871,150</u>	<u>178,233</u>	<u>(214,435)</u>	<u>834,948</u>	<u>77,633</u>
Total other long-term liabilities	<u>932,876</u>	<u>178,233</u>	<u>(235,332)</u>	<u>875,777</u>	<u>100,265</u>
Total	<u>\$ 25,088,098</u>	<u>\$ 9,787,596</u>	<u>\$ (10,255,332)</u>	24,620,362	<u>\$ 785,265</u>
Less: deferred charge on refunding				(999,565)	
Add: unamortized premium				<u>1,142,482</u>	
Total long-term liabilities				<u>\$ 24,763,279</u>	

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

General Obligation Bonds: See Note 11.B.-11.D. for more details.

Capital Lease Obligation: During fiscal year 2005, the District entered a lease agreement for copier equipment. Principal and interest payments will be made from the general fund. See Note 10 for details.

Compensated Absences: Compensated absences represent accumulated vacation and an estimated sick leave liability for employees both eligible to retire and those expected to become eligible in the future. Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

- B. Series 2002 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. During fiscal year 2008, \$9,450,000 of the callable portion of the bonds were advance refunded. 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.

At June 30, 2008, this issue is comprised of both current interest bonds, par value \$3,945,000, and capital appreciation bonds, par value \$964,888. The interest rates on the current interest bonds range from 3.90% to 5.00%. During fiscal year 2008, capital appreciation bonds of \$319,902 matured with a total amount of accreted interest of \$230,098. The remaining capital appreciation bonds mature on 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 accreted value at maturity of the capital appreciation bonds is \$2,380,000. A total of \$522,732 in accreted interest on the capital appreciation bonds has been included as long-term liabilities on the statement of net assets at June 30, 2008.

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, 2025.

The following is a schedule of activity for fiscal year 2008 on the Series 2002 general obligation bonds:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Current interest bonds -				
Series 2002	\$ 13,395,000	\$ -	\$ (9,450,000)	\$ 3,945,000
Capital appreciation bonds -				
Series 2002	964,888	-	(319,902)	644,986
Capital appreciation bonds -				
Accreted interest	<u>610,410</u>	<u>142,420</u>	<u>(230,098)</u>	<u>522,732</u>
Total G.O. bonds	<u>\$ 14,970,298</u>	<u>\$ 142,420</u>	<u>\$(10,000,000)</u>	<u>\$ 5,112,718</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS – (Continued)**

The following is a summary of the District's future debt service requirements to maturity for the Series 2002 general obligation bonds:

Fiscal Year Ended	Series 2002 Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ -	\$ 597,777	\$ 597,777	\$ 330,441	\$ 299,559	\$ 630,000
2010	-	597,778	597,778	314,545	350,455	665,000
2011	680,000	585,878	1,265,878	-	-	-
2012	775,000	559,834	1,334,834	-	-	-
2013	840,000	528,889	1,368,889	-	-	-
2014 - 2015	1,650,000	957,490	2,607,490	-	-	-
Total	<u>\$ 3,945,000</u>	<u>\$3,827,646</u>	<u>\$ 7,772,646</u>	<u>\$ 644,986</u>	<u>\$ 650,014</u>	<u>\$ 1,295,000</u>

- C. Series 2006 General Obligation Bonds - In November, 2006, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2002 Current Interest General Obligation Bonds (principal \$9,180,000; interest rate of 4.25% to 5.0%). The issuance proceeds of \$9,179,997 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$9,150,000, and capital appreciation bonds, par value \$29,997. The average interest rate on the current interest bonds is 4.0%. The capital appreciation bonds mature December 1, 2016, (effective interest 33.4%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$540,000. Total accreted interest of \$16,595 has been included on the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$591,246. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next twenty-four years by \$698,174.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2030 and resulted in an economic gain of 5.126% or \$470,549.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2008 on the Series 2006 general obligation bonds:

	Balance June 30, 2007	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2008
Current interest bonds -				
Series 2006	\$ 9,150,000	\$ -	\$ (20,000)	\$ 9,130,000
Capital appreciation bonds -				
Series 2006	29,997	-	-	29,997
Capital appreciation bonds -				
Accreted interest	<u>4,927</u>	<u>11,668</u>	<u>-</u>	<u>16,595</u>
Total G.O. bonds	<u>\$ 9,184,924</u>	<u>\$ 11,668</u>	<u>\$ (20,000)</u>	<u>\$ 9,176,592</u>

The following is a summary of the District's future debt service requirements to maturity for the Series 2006 general obligation bonds:

Fiscal Year Ended	Series 2006 Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 30,000	\$ 394,095	\$ 424,095	\$ -	\$ -	\$ -
2010	30,000	393,000	423,000	-	-	-
2011	30,000	391,875	421,875	-	-	-
2012	30,000	390,712	420,712	-	-	-
2013	35,000	389,412	424,412	-	-	-
2014 - 2018	130,000	1,927,937	2,057,937	29,997	510,003	540,000
2019 - 2023	100,000	1,906,688	2,006,688	-	-	-
2024 - 2028	4,115,000	1,632,213	5,747,213	-	-	-
2029 - 2032	<u>4,630,000</u>	<u>309,532</u>	<u>4,939,532</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,130,000</u>	<u>\$7,735,464</u>	<u>\$16,865,464</u>	<u>\$ 29,997</u>	<u>\$ 510,003</u>	<u>\$ 540,000</u>

- D. Series 2007 General Obligation Bonds - On October 10, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2002 Current Interest General Obligation Bonds (principal \$9,450,000; interest rate of 4.25% to 5.0%). The issuance proceeds of \$9,449,996 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$9,425,000, and capital appreciation bonds, par value \$24,996. The average interest rate on the current interest bonds is 4.0%. The capital appreciation bonds mature December 1, 2016, (effective interest 32.09%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$380,000. Total accreted interest of \$5,579 has been included on the statement of activities.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$466,479. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next twenty-four years by \$429,861.

Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2024 and resulted in an economic gain of 2.816% or \$266,111.

The following is a schedule of activity for fiscal year 2008 on the Series 2007 general obligation bonds:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>
Current interest bonds -				
Series 2007	\$ -	\$ 9,425,000	\$ -	\$ 9,425,000
Capital appreciation bonds -				
Series 2007	-	24,996	-	24,996
Capital appreciation bonds -				
Accreted interest	-	<u>5,279</u>	-	<u>5,279</u>
<b>Total G.O. bonds</b>	<b><u>\$ -</u></b>	<b><u>\$ 9,455,275</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,455,275</u></b>

The following is a summary of the District's future debt service requirements to maturity for the Series 2007 general obligation bonds:

Fiscal Year Ended	Series 2007 Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 25,000	\$ 399,013	\$ 424,013	\$ -	\$ -	\$ -
2010	25,000	398,013	423,013	-	-	-
2011	25,000	397,013	422,013	-	-	-
2012	25,000	396,013	421,013	-	-	-
2013	25,000	395,013	420,013	-	-	-
2014 - 2018	1,795,000	1,678,208	3,473,208	24,996	355,004	380,000
2019 - 2023	5,140,000	1,050,524	6,190,524	-	-	-
2024 - 2025	<u>2,365,000</u>	<u>101,468</u>	<u>2,466,468</u>	-	-	-
<b>Total</b>	<b><u>\$ 9,425,000</u></b>	<b><u>\$4,815,265</u></b>	<b><u>\$14,240,265</u></b>	<b><u>\$ 24,996</u></b>	<b><u>\$ 355,004</u></b>	<b><u>\$ 380,000</u></b>



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**E. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$2,623,511 (including available funds of \$1,746,387) and an unvoted debt margin of \$267,523.

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District participated in the MEC Liability, Fleet and Property Insurance Program (see Note 2.A.). The program provides coverage for the group through excess liability for \$250,000,000. The following is the District's insurance coverage obtained through the group purchasing program:

Total policy coverage - includes the following:

Property limit (\$1,000 deductible)	\$53,912,382
Boiler and Machinery (\$1,000 deductible)	53,912,382
Automobile liability (\$1,000 deductible)	4,000,000
Uninsured/underinsured motorist	50,000
Medical payments	10,000
Public Employee Dishonesty	100,000
General school district liability	
Per occurrence	4,000,000
Total per year	6,000,000
Excess liability	5,000,000

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

**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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Group Health and Dental Insurance (Continued)**

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 2008, 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 premiums, to a maximum of the difference between the discounted premium and the full premium.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. 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 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 13 - PENSION PLANS – (Continued)**

**A. School Employees Retirement System (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$192,026, \$185,813 and \$192,280, respectively; 53.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 13 - PENSION PLANS – (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$909,411, \$845,482, and \$852,172, respectively; 83.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$25,667 made by the District and \$51,905 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

**A. School Employees Retirement System (Continued)**

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$115,931, \$91,300, and \$92,398, respectively; 53.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$13,836, \$12,635, and \$15,304, respectively; 53.38 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$69,955, \$65,037, and \$65,706, respectively; 83.84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 15 - 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);

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (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:

	<b>Net Change in Fund Balance</b>
	<u>General fund</u>
Budget basis	\$ 102,822
Net adjustment for revenue accruals	1,122,499
Net adjustment for expenditure accruals	(185,981)
Net adjustment for other sources/uses	(159)
Adjustment for encumbrances	<u>99,558</u>
GAAP basis	<u>\$ 1,138,739</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 17 - 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, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2007	\$ (151,651)	\$ (24,015,869)	\$ 44,799
Current year set-aside requirement	276,579	276,579	-
Qualifying disbursements	<u>(356,118)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (231,190)</u>	<u>\$ (23,739,290)</u>	<u>\$ 44,799</u>
Balance carried forward to FY 2009	<u>\$ (231,190)</u>	<u>\$ (23,739,290)</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. The negative balance 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, 2008 follows:

Amounts restricted for BWC refunds	\$ 44,799
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JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	2008	10.553	\$16,088	\$0	\$16,088	\$0
National School Lunch Program	2008	10.555	168,669	40,394	168,669	40,394
<i>Total Nutrition Cluster</i>			<u>184,757</u>	<u>40,394</u>	<u>184,757</u>	<u>40,394</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>184,757</b>	<b>40,394</b>	<b>184,757</b>	<b>40,394</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies						
Title I Grants to Local Educational Agencies	2004	84.010	0	0	746	0
Title I Grants to Local Educational Agencies	2007	84.010	23,865	0	13,752	0
Title I Grants to Local Educational Agencies	2008	84.010	158,139	0	159,144	0
<i>Total Title I Grants to Local Educational Agencies</i>			<u>182,004</u>	<u>0</u>	<u>173,642</u>	<u>0</u>
Special Education Cluster:						
Special Education Grants to States	2007	84.027	85,526	0	91,693	0
Special Education Grants to States	2008	84.027	343,181	0	357,103	0
<i>Total Special Education Grants to States</i>			<u>428,707</u>	<u>0</u>	<u>448,796</u>	<u>0</u>
Safe and Drug-Free Schools and Communities State Grants						
Safe and Drug-Free Schools and Communities State Grants	2004	84.186	0	0	6	0
Safe and Drug-Free Schools and Communities State Grants	2007	84.186	0	0	769	0
Safe and Drug-Free Schools and Communities State Grants	2008	84.186	4,951	0	4,269	0
<i>Total Safe and Drug-Free Schools and Communities State Grants</i>			<u>4,951</u>	<u>0</u>	<u>5,044</u>	<u>0</u>
State Grants for Innovative Programs						
State Grants for Innovative Programs	2004	84.298	0	0	1,602	0
State Grants for Innovative Programs	2007	84.298	0	0	271	0
State Grants for Innovative Programs	2008	84.298	855	0	1,905	0
<i>Total State Grants for Innovative Programs</i>			<u>855</u>	<u>0</u>	<u>3,778</u>	<u>0</u>
Education Technology State Grants						
Education Technology State Grants	2004	84.318	0	0	402	0
Education Technology State Grants	2008	84.318	1,711	0	1,537	0
<i>Total Education Technology State Grants</i>			<u>1,711</u>	<u>0</u>	<u>1,939</u>	<u>0</u>
Improving Teacher Quality State Grants						
Improving Teacher Quality State Grants	2004	84.367	0	0	1,600	0
Improving Teacher Quality State Grants	2007	84.367	2,080	0	(2,077)	0
Improving Teacher Quality State Grants	2008	84.367	51,092	0	48,966	0
<i>Total Improving Teacher Quality State Grants</i>			<u>53,172</u>	<u>0</u>	<u>48,489</u>	<u>0</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>671,400</b>	<b>0</b>	<b>681,688</b>	<b>0</b>
<b>TOTALS</b>			<b>\$856,157</b>	<b>\$40,394</b>	<b>\$866,445</b>	<b>\$40,394</b>

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE D – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30<sup>th</sup> and spent by September 30<sup>th</sup>). However, with ODE's approval, the District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2008, the Ohio Department of Education (ODE) authorized the following transfers from fiscal year 2007 grants to fiscal year 2008 grants:

<b>CFDA</b>		
<b><u>Number</u></b>	<b><u>Program Title</u></b>	<b><u>Amount</u></b>
84.010	Title I Grants to Local Education Agencies	\$326
84.186	Safe and Drug Free Schools	44
84.298	State Grants for Innovative Educational Program Strategies	271
84.318	Education Technology State Grants	172
84.367	Improving Teacher Quality State Grants	9,628



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jonathan Alder Local School District  
Madison County  
9200 U.S. Route 42 South  
Plain City, Ohio 43064

To the Board of Education:

We have audited the 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 year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 20, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated February 20, 2009.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 20, 2009.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 20, 2009



# Mary Taylor, CPA

Auditor of State

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

Jonathan Alder Local School District  
Madison County  
9200 U.S. Route 42 South  
Plain City, Ohio 43064

To the Board of Education:

### Compliance

We have audited the compliance of Jonathan Alder Local School District, Madison County Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to express an opinion on the 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Jonathan Alder Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 20, 2009.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 20, 2009

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**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 weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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 Programs (list):	Special Education Grants to States (CFDA # 84.027)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Ohio Revised Code Section 5705.36 – Increased Amended Certificate of Estimated Resources Should Have Been Obtained	Yes	
2007-002	Ohio Revised Code Section 5705.39 – Appropriations Exceeded Estimated Resources	No	Partially Corrected – Reissued in Management Letter
2007-003	Ohio Revised Code Section 5705.40 – Appropriations Were Not Amended to Adequate Amounts	Yes	
2007-004	Ohio Revised Code Section 5705.41(B) – Budgetary Expenditures Exceeded Appropriations	No	Partially Corrected – Reissued in Management Letter





Mary Taylor, CPA  
Auditor of State

JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 24, 2009