



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO



**Auditor of State
Betty Montgomery**

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

January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

January 10, 2003

**Jonathan Alder Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long Term Debt	
Assets and Other Debits:								
Equity in Pooled Cash and Investments	\$1,651,799	\$143,938	\$25,258,790	\$1,846	\$31,681	\$0	\$0	\$27,088,054
Restricted Cash	44,799	0	0	0	0	0	0	44,799
Taxes Receivables	3,397,892	0	856,844	0	0	0	0	4,254,736
Intergovernmental Receivables	0	74,692	0	11,690	0	0	0	86,382
Due from Other Funds	7,068	0	0	0	0	0	0	7,068
Inventory for Resale	0	0	0	7,712	0	0	0	7,712
Prepaid Expenses	15,098	0	0	0	0	0	0	15,098
Property, Plant, and Equipment - Net of Depreciation	0	0	0	12,964	0	16,191,476	0	16,204,440
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	25,701,828	25,701,828
Total Assets and Other Debits	\$5,116,656	\$218,630	\$26,115,634	\$34,212	\$31,681	\$16,191,476	\$25,701,828	\$73,410,117
Liabilities:								
Accounts Payable	39,966	8,017	1,073	973	0	0	0	50,029
Intergovernmental Payables	159,990	559	0	16,267	0	0	104,034	280,850
Accrued Salaries and Benefits	799,643	20,110	0	35,298	0	0	0	855,051
Deferred Revenue	2,279,258	15,647	770,529	0	0	0	0	3,065,434
Due to Other Funds	0	7,068	0	0	0	0	0	7,068
Due to Students	0	0	0	0	31,681	0	0	31,681
General Obligation Notes Payable	0	0	0	0	0	0	25,000,000	25,000,000
Compensated Absences Payable	16,651	0	0	20,041	0	0	597,794	634,486
Total Liabilities	3,295,508	51,401	771,602	72,579	31,681	0	25,701,828	29,924,599
Fund Equity and Other Credits:								
Investment in General Fixed Assets	0	0	0	0	0	16,191,476	0	16,191,476
Contributed Capital	0	0	0	39,978	0	0	0	39,978
Accumulated Deficit	0	0	0	(78,345)	0	0	0	(78,345)
Fund Balances:								
Reserved for Property Taxes	1,118,634	0	86,315	0	0	0	0	1,204,949
Reserved for Encumbrances	25,400	5,919	6,449	0	0	0	0	37,768
Reserved for Prepaid Items	15,098	0	0	0	0	0	0	15,098
Designated for Budget Stabilization	44,799	0	0	0	0	0	0	44,799
Unreserved Fund Balance	617,217	161,310	25,251,268	0	0	0	0	26,029,795
Total Fund Balances	1,821,148	167,229	25,344,032	0	0	0	0	27,332,409
Total Fund Balances/Retained Earnings and Other Credits	1,821,148	167,229	25,344,032	(38,367)	0	16,191,476	0	43,485,518
Total Liabilities, Fund Equity, and Other Credits	\$ 5,116,656	\$ 218,630	\$26,115,634	\$ 34,212	\$ 31,681	\$16,191,476	\$ 25,701,828	\$ 73,410,117

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types
Year Ended June 30, 2002

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
REVENUES:				
Revenue from Local Sources:				
Taxes	\$3,787,682	\$0	\$283,066	\$4,070,748
Rent	5,949	0	0	5,949
Earnings on Investments	57,236	0	5,122	62,358
Extracurricular Activities	0	255,539	0	255,539
Classroom Materials & Fees	89,140	0	0	89,140
Miscellaneous	24,241	16,745	11,440	52,426
Intergovernmental	5,731,862	368,714	69,554	6,170,130
Total Revenues	9,696,110	640,998	369,182	10,706,290
EXPENDITURES:				
Current:				
Instruction				
Regular Instruction	4,856,441	66,370	0	4,922,811
Special Instruction	426,832	267,617	0	694,449
Vocational Instruction/Other	97,899	0	0	97,899
Supporting Services				
Supporting Services - Pupils	615,477	173,695	0	789,172
Supporting Services - Instructional Staff	112,202	24,551	52,030	188,783
Supporting Services - Board of Education	40,570	0	0	40,570
Administration	752,245	375	0	752,620
Fiscal Services	972,890	0	6,542	979,432
Business Services	4,431	0	0	4,431
Operation & Maintenance - Plant	803,109	1,424	0	804,533
Pupil Transportation	792,916	242	0	793,158
Central	0	12,331	0	12,331
Operation of Non-Instructional Services				
Extracurricular Activities	153,048	131,855	0	284,903
Capital Outlay	0	0	105,258	105,258
Debt Service				
Debt Service - Principal	3,327	0	0	3,327
Total Expenditures	9,631,387	678,460	163,830	10,473,677
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,723	(37,462)	205,352	232,613
Other Financing Sources and Uses:				
Proceeds from Sale of Notes	0	0	25,000,000	25,000,000
Transfers In	0	23,000	0	23,000
Transfers Out	(23,000)	0	0	(23,000)
Net Other Financing Sources and Uses	(23,000)	23,000	25,000,000	25,000,000
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure Disbursements and Other Uses	41,723	(14,462)	25,205,352	25,232,613
Beginning Fund Balance - Restated Note 19	1,779,425	181,691	138,680	2,099,796
Ending Fund Balance	\$ 1,821,148	\$ 167,229	\$ 25,344,032	\$ 27,332,409

See Accompanying Notes to the General Purpose Financial Statements.

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Jonathan Alder Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (non-GAAP Basis)
All Governmental Fund Types
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Revenue from Local Sources:						
Taxes	3,676,433	3,747,374	70,941	0	0	0
Rent	1,000	5,949	4,949	0	0	0
Earnings on Investments	50,000	55,017	5,017	0	0	0
Extracurricular Activities	0	0	0	254,050	259,981	5,931
Classroom Materials & Fees	84,300	98,586	14,286	0	0	0
Miscellaneous	22,000	23,588	1,588	12,000	16,463	4,463
Intergovernmental	5,776,070	5,786,862	10,792	321,953	318,515	(3,438)
Total Revenues	<u>9,609,803</u>	<u>9,717,376</u>	<u>107,573</u>	<u>588,003</u>	<u>594,959</u>	<u>6,956</u>
EXPENDITURES:						
Current:						
Instruction						
Regular Instruction	4,917,065	4,816,456	100,609	81,865	69,065	12,800
Special Instruction	414,991	408,132	6,859	274,810	266,675	8,135
Vocational Instruction/Other	111,650	97,800	13,850	0	0	0
Supporting Services						
Supporting Services - Pupils	612,737	607,721	5,016	173,180	177,751	(4,571)
Supporting Services - Instructional Staff	118,453	113,993	4,460	32,513	24,543	7,970
Supporting Services - Board of Education	57,900	36,248	21,652	0	0	0
Administration	894,144	844,491	49,653	375	375	0
Fiscal Services	960,201	974,825	(14,624)	0	0	0
Business Services	5,500	4,431	1,069	0	0	0
Operation & Maintenance - Plant	835,615	808,962	26,653	1,450	1,424	26
Pupil Transportation	818,288	788,637	29,651	300	242	58
Central	0	0	0	23,214	12,331	10,883
Operation of Non-Instructional Services						
Extracurricular Activities	169,906	163,109	6,797	122,000	131,837	(9,837)
Capital Outlay	78,347	0	78,347	0	0	0
Debt Service						
Debt Service - Principal	3,310	3,327	(17)	0	0	0
Total Expenditures	<u>9,998,107</u>	<u>9,668,132</u>	<u>329,975</u>	<u>709,707</u>	<u>684,243</u>	<u>25,464</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(388,304)	49,244	437,548	(121,704)	(89,284)	32,420
Other Financing Sources and Uses:						
Refund of Prior Year Expense	0	654	654	0	282	282
Proceeds from Short-Term Notes	0	0	0	0	0	0
Transfers In	0	0	0	0	23,000	23,000
Transfers Out	(103,789)	(23,000)	80,789	0	0	0
Net Other Financing Sources and Uses	<u>(103,789)</u>	<u>(22,346)</u>	<u>81,443</u>	<u>0</u>	<u>23,282</u>	<u>23,282</u>
Excess (Deficiency) of Revenue Receipts and Other Sources Over (Under) Expenditure						
Disbursements and Other Uses	(492,093)	26,898	518,991	(121,704)	(66,002)	55,702
Prior Year Carryover Encumbrances	23,433	23,433	0	39,640	39,640	0
Beginning Fund Balance	1,619,220	1,619,220	0	151,570	151,570	0
Ending Fund Balance	<u>\$1,150,560</u>	<u>\$1,669,551</u>	<u>\$518,991</u>	<u>\$ 69,506</u>	<u>\$ 125,208</u>	<u>\$ 55,702</u>

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

Capital Projects Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
267,000	280,467	13,467	3,943,433	4,027,841	84,408
0	0	0	1,000	5,949	4,949
0	5,122	5,122	50,000	60,139	10,139
0	0	0	254,050	259,981	5,931
0	0	0	84,300	98,586	14,286
0	11,440	11,440	34,000	51,491	17,491
70,604	69,554	(1,050)	6,168,627	6,174,931	6,304
337,604	366,583	28,979	10,535,410	10,678,918	143,508
0	0	0	4,998,930	4,885,521	113,409
0	0	0	689,801	674,807	14,994
0	0	0	111,650	97,800	13,850
0	0	0	785,917	785,472	445
52,750	52,030	720	203,716	190,566	13,150
0	0	0	57,900	36,248	21,652
0	0	0	894,519	844,866	49,653
3,308	6,542	(3,234)	963,509	981,367	(17,858)
0	0	0	5,500	4,431	1,069
0	0	0	837,065	810,386	26,679
0	0	0	818,588	788,879	29,709
0	0	0	23,214	12,331	10,883
0	0	0	291,906	294,946	(3,040)
282,956	111,434	171,522	361,303	111,434	249,869
0	0	0	3,310	3,327	(17)
339,014	170,006	169,008	11,046,828	10,522,381	524,447
(1,410)	196,577	197,987	(511,418)	156,537	667,955
0	0	0	0	936	936
0	25,000,000	(25,000,000)	0	25,000,000	25,000,000
0	0	0	0	23,000	23,000
0	0	0	(103,789)	(23,000)	80,789
0	25,000,000	(25,000,000)	(103,789)	25,000,936	25,104,725
(1,410)	25,196,577	(25,197,987)	(615,207)	25,157,473	25,772,680
32,972	32,972	0	96,045	96,045	0
22,791	22,791	0	1,793,581	1,793,581	0
\$54,353	\$25,252,340	(\$25,197,987)	\$ 1,274,419	\$ 27,047,099	\$ 25,772,680

Jonathan Alder Local School District
Statement of Revenues, Expenses, and Changes in Accumulated Deficit
Proprietary Fund Type
Year Ended June 30, 2002

	<u>Enterprise Fund</u>
Operating Revenues:	
Food Service	\$326,693
Other	<u>97</u>
Total Operating Revenues	<u>326,790</u>
Operating Expenses:	
Personal Services - Salary	154,978
Employee Benefits	99,952
Purchased Services	2,290
Supplies and Materials	214,465
Depreciation	556
Other Expenses	<u>1,088</u>
Total Operating Expenses	<u>473,329</u>
Operating Loss	(146,539)
Non-Operating Revenues:	
State and Federal Grants-In-Aid	88,855
Federal Donated Commodities	<u>34,248</u>
Total Non-Operating Revenues	<u>123,103</u>
Net Loss	(23,436)
Beginning Accumulated Deficit	(54,909)
Contributed Capital Beginning and End of the year	<u>39,978</u>
Ending Accumulaed Deficit	<u><u>(\$38,367)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

Jonathan Alder Local School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2002

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Operating Loss	(\$146,539)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Commodities	34,248
Depreciation	556
Net Increase (Decrease) in Assets:	
Materials & Supplies Inventory	(447)
Inventory for Resale	(3,589)
Net Increase (Decrease) in Liabilities:	
Accounts Payable	975
Intergovernmental Payables	2,285
Accrued Wages and Benefits	2,516
Compensated Absences	3,590
Net Adjustments	40,134
 Net Cash Used in Operating Activities	 (106,405)
Cash Flows from Noncapital Financing Activities:	
Operating Grants from Federal Sources	88,409
Net Cash Provided by Noncapital Financing Activities	88,409
 Net Decrease in Cash & Cash Equivalents	 (17,996)
 Cash and Cash Equivalents at Beginning of Year	 19,842
 Cash and Cash Equivalents at End of Year	 \$1,846

See Accompanying Notes to the General Purpose Financial Statements.

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Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2001 was 1741. The District employs 7 administrative and supervisory personnel, 100 certificated employees, and 63 non-certificated employees. Local school district are supervised by the Madison/Champaign Educational Service Center, a separate entity.

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

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

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

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

B. Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the District:

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of “available spendable resources” during the period.

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types

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

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

Fiduciary Fund Types

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

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

Account Groups

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Fund Accounting (Continued)

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

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Educational Service Center must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Educational Service Center on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue.

Under the modified accrual basis of accounting, receivables that will not be collected within the available period have been reported as deferred revenue.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budget and Budgetary Accounting

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

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

Estimated Resources – Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2002.

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting (Continued)

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

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

Lapsing of Appropriations – At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Investments

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during the fiscal year amounted to \$57,236, of which \$32,370 was assigned to the General Fund by other funds. Interest revenue was also credited to the Capital Project Funds in the amount of \$5,122.

F. Inventories

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002 are recorded as prepaid items by using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

H. Fixed Assets

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

I. Short-Term Interfund Receivables/Payables

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

J. Compensated Absences

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

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

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences (Continued)

Upon evidence of retirement and ten years of full-time service in the District, payment is paid for accumulated unused sick days in one lump sum up to one-fourth ($\frac{1}{4}$) of the value of unused sick leave to a maximum of fifty days.

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

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

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

K. Contributed Capital

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

L. Long-Term Obligations

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

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Equity

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

O. Statement of Cash Flows

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

P. Memorandum Only – Total Columns

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

Q. Restricted Cash

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

R. Estimates

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

Note 2. Cash and Investments

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 2. Cash and Investments (Continued)

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$19,277 and the bank balance was \$91,994. The entire bank balance was covered by Federal Depository Insurance Corporation (FDIC).

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

	<u>Unclassified</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
STAR Ohio	\$27,113,576	\$27,113,576	\$27,113,576

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 2. Cash and Investments (Continued)

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$27,132,853	\$0
Investments:		
STAR Ohio	(27,113,576)	27,113,576
GASB Statement No. 3	19,277	\$27,113,576

Note 3. Budgetary Basis of Accounting

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

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 3. Budgetary Basis of Accounting (Continued)

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types			
	General	Special Revenue	Capital Projects
GAAP Basis	\$41,723	(\$14,462)	\$25,205,352
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	14,850	(45,757)	(2,599)
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(29,675)	(5,783)	(6,176)
Budget Basis	\$26,898	(\$66,002)	\$25,196,577

Note 4. Property Tax

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 26% of its true value, was reduced to 25% in 1993. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment is due April 30, with the remainder payable by September 20. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Madison, Franklin, and Union Counties. Tax settlements are made each March and August for real property taxes and each June and October for personal property taxes.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 4. Property Tax (Continued)

The full tax rate for the fiscal year ended June 30, 2002 was \$37.70 per \$1,000 of assessed valuation and \$2.4 per \$1,000 for Permanent Improvement. The assessed values of real and tangible personal property on which the 2001 taxes were collected were as follows:

Real Property	\$126,200,130
Tangible Personal Property	<u>24,114,440</u>
 Total Assessed Value	 <u><u>\$150,315,570</u></u>

Uncollectible taxes outstanding, available to District within 60 days after fiscal year end are recorded as receivables at June 30. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002 was \$1,118,634 in the General Fund and \$86,315 in the Permanent Improvement Capital Project Fund.

Note 5. Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (student fees), interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of intergovernmental receivables follows:

Special Revenue Funds:	
Title VI-B	\$1,340
Madison Co. Pact Grant	7,301
Title I	31,272
Title II	794
Title IV	983
Title VI	6,359
Title VI-R	<u>26,643</u>
Total Special Revenue Funds	74,692
 Enterprise Fund	
Food Service	<u>11,690</u>
 Total Intergovernmental Receivables	 <u><u>\$86,382</u></u>

Note 6. Defined Benefits Pension Plans

A. School Employees Retirement System

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 6. Defined Benefits Pension Plans (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$191,988, \$183,018, and \$159,144, respectively; 26 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$35,812 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 12 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were: \$628,488, \$588,420, and \$547,320, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$71,435 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Note 7. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 7. Postemployment Benefits (Continued)

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund was \$3,256 million at June 30, 2000 (the latest information available). The Health Care Reserve Fund allocation for the fiscal year 2001, will be 8% of covered payroll. For the District, this amount equaled \$202,014 during the 2002 fiscal year.

For the fiscal year ended June 30, 2001, eligible benefit recipients totaled 102,132, and net health care costs paid by STRS were \$300,772,000.

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

For the fiscal year ended June 30, 2001 (the latest information available), employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$158,954 during the 2002 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2001 net health care costs paid by SERS were \$161,439,934.

Note 8. Grants

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District had no pending litigation as of June 30, 2002.

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 9. Long-Term Debt/Obligations

During the fiscal year 2002, the School District issued \$25,000,000 in bond anticipation notes for the purpose of building the Monroe Elementary School and a new high school. These notes will be repaid with the issuance of bonded debt. This note is backed by full faith and credit of the School District. .

A summary of changes in long-term obligations for the year ended June 30, 2002, are a follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2002</u>
Intergovernmental Payable	\$ 70,970	\$104,034	\$70,970	\$104,034
Notes Payable	3,327	25,000,000	3,327	25,000,000
Compensated Absences Payable	576,444	21,350	0	597,794
	<u>\$650,741</u>	<u>\$25,125,384</u>	<u>\$74,297</u>	<u>\$25,701,828</u>

Additions and deletions of accrued severance are shown net because it is impracticable for the District to determine these amounts separately. District employees are granted vacation and sick leave in varying amounts

Note 10. Accountability and Compliance

A. Accountability

At June 30, 2002 the following funds had deficit fund balances:

Title VI-R	\$(4,230)
Extended Learning	(3)
Ohio Reads	(19)
Food Service	(38,367)

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

B. Compliance

The following fund had appropriations exceed estimated resources at June 30, 2002:

Madison Co. Pact Grant \$501

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 10. Accountability and Compliance (Continued)

The following funds had expenditures plus encumbrances in excess of appropriations at June 30, 2002:

Fund	Appropriations	Expenditures	Variance
General			
001-4500-100	\$123,500	\$126,230	(\$2,730)
001-1200-400	140,000	154,376	(14,376)
001-2500-800	772,180	792,981	(20,801)
Permanent Improvement			
003-2500-800	3,308	6,542	(3,234)
Food Service			
006-3100-200	79,599	85,854	(6,255)
006-3100-500	176,283	184,025	(7,742)
Plain City General			
018-2100-800	34,687	48,306	(13,619)
High School Special Events			
018-2100-800	0	16,803	(16,803)
Tips Grants			
019-2100-800	0	2,066	(2,066)
Athletics			
300-4500-00	5,000	9,680	(4,680)
School Net Plus			
450-2200-500	259	10,750	(10,491)
Summer School Subsidy			
460-1100-100	5,000	7,940	(2,635)

Note 11. Jointly Governed Organizations

Metropolitan Education Council – MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District does not have an ongoing financial responsibility for MEC. MEC provides computer services to the District. During 2002 the District paid \$27,012 to MEC for services provided. To obtain financial information write the Treasurer at MEC, 1300 Dublin Road, Columbus, Ohio 43215.

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 12. Risk Management

A. General Risk

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

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

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

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

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

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

C. Health Insurance

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

Note 13. Fixed Assets

The following is a summary of the proprietary funds property, plant, and equipment at June 30, 2002:

Furniture and Equipment	\$ 57,629
Less: Accumulated Depreciation	<u>(44,665)</u>
Net Fixed Assets	<u>\$ 12,964</u>

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 13. Fixed Assets (Continued)

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year 2002:

	<u>July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2002</u>
Land	\$388,321	0	0	\$388,321
Building & Improvement	13,274,878	71,721	0	13,346,599
Equipment	1,060,459	153,902	24,295	1,190,066
Vehicles	1,145,266	121,224	0	1,266,490
	<u>\$15,868,924</u>	<u>\$346,847</u>	<u>\$24,295</u>	<u>\$16,191,476</u>

Note 14. School Funding Decision

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

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

Note 15. Set-Aside Calculations and Fund Reserves

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2001	\$0	\$0	\$ 44,799	\$ 44,799
Current year set-aside requirement	214,098	214,098	0	428,196
Qualifying disbursements	(214,098)	(214,098)	0	(428,196)
Set-aside Cash Balance as of June 30, 2002	<u>\$0</u>	<u>\$0</u>	<u>\$44,799</u>	<u>\$44,799</u>
Total Restricted Assets				<u>\$44,799</u>

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

Jonathan Alder Local School District
Notes to the General Purpose Financial Statements
June 30, 2002
(Continued)

Note 16. Subsequent Event

In August 2002, the Jonathan Alder Local School District Board of Education issued General Obligation Bonds in the amount of \$25,000,000 for the purpose of building a new elementary and high school buildings. See Note (9)

Note 17. Interfund Activity

Interfund balances at June 30, 2002, consist of the following individual fund receivables and payables:

	Due From Funds	Due To Funds
General Fund	\$7,068	\$0
Special Revenue Funds:		
Madison Co. Pact Grant	0	7,068
Total All Funds	\$7,068	\$7,068

Note 18. Restatement of Prior Year Fund Balance

Correction of accounting errors in the prior year required that certain adjustments be recorded to the July 1, 2001 fund balance as previously reported. The restatement to the opening fund balance is as follows:

Fund Type	Previously Stated Balances at 06/30/01	Adjustment	Restated Balance at 07/01/01
Special Revenue	\$179,022	\$2,669	\$181,691

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

Federal Grantor; PASS-THROUGH GRANTOR; Program Title	Pass-Through Grantor Number	Federal CFDA #	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Dept. of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$27,694	\$0	\$29,173
National School Lunch	048264-LLP4-2002	10.555	84,752	-	84,752	-
Total U.S. Dept. of Agriculture - Child Nutrition Cluster			84,752	27,694	84,752	29,173
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Dept. of Education</i>						
Title I Grants to Local Educational Agencies	048264-C1S1-2002	84.010	89,068	-	103,478	-
Special Education Cluster:						
Special Education Grants to States	048264-6BSF-2002	84.027	133,681	-	133,681	-
Safe and Drug Free Schools	048264-DRS1-2002	84.186	6,979	-	7,141	-
Eisenhower Professional Development State Grants	048264-MSS1-2002	84.281	7,729	-	6,547	-
Innovative Educational Program Strategies	048264-C2S1-2002	84.298	9,695	-	9,457	-
Class Reduction	0482640-CRS1-2002	84.340	10,361	-	11,960	-
Total Dept. of Education			257,513	-	272,264	-
Total Federal Awards			342,265	\$27,694	\$357,016	\$29,173

See Accompanying Notes to this Schedule.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

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

To the Board of Education:

We have audited the general purpose financial statements of Jonathan Alder Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to a significant deficiency in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-10649-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 10, 2003.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

JIM PETRO
Auditor of State

January 10, 2003



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

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

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 is applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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



JIM PETRO
Auditor of State

January 10, 2003

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Title I – CFDA #84.010 Title VI-B – CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A\B Programs</i>	Type A > \$300,000 Type B - all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002
(Continued)**

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

Finding Number	2002-10649-001
----------------	----------------

Extracurricular Activities

The District had several extracurricular activities held during the year that either did not have a sales project potential form or the form was not properly completed. In addition, several of these activities lacked purpose clauses, had no fund budget forms on file, and for some transactions lacked source documentation to support collected amounts.

Failure to maintain sales project potential forms and adequate source documentation could result in money not being properly or timely posted to the revenue ledger, or deposited to the Districts account. In addition, these weaknesses could result un-accounted for or inappropriate use of funds, due the District.

We recommend the District adopt a policy to utilize sales project potential forms for all extracurricular activities. Each activity and their respective sales potential forms should include a purpose clause and a budget. Source documentation for all collections should be maintained and filed with the extracurricular activity. When the activity has been completed, the activity advisor should review the sales potential form for completeness and accuracy and compare to the source documentation. Copies of the sales project potential forms and source documentation reviewed should be forwarded to the Treasurer for proper filing.

3. FINDINGS FOR FEDERAL AWARDS

None

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

JUNE 30, 2002

SCHEDULE OF PRIOR AUDIT FINDING

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10649-001	Student File Retention	Yes	Corrected. District retained all student files.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2003**