

Dave Yost • Auditor of State



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

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# Dave Yost • 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 Jonathan Alder Local School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2011, 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 Jonathan Alder Local School District, Madison County, Ohio, as of June 30, 2011, and the respective changes in financial position and cash flows, thereof and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3B during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which resulted in reclassifications to its governmental fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

February 24, 2012

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$472,723 which represents a 1.35% increase from 2010.
- General revenues accounted for \$16,704,233 in revenue or 78.53% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,566,684 or 21.47% of total revenues of \$21,270,917.
- The District had \$20,798,194 in expenses related to governmental activities; \$4,566,684 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 \$16,704,233 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$16,006,297 in revenues and \$16,651,489 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$645,192 from a restated balance of \$2,208,942 to a balance of \$1,563,750.
- The bond retirement fund had revenues of \$1,732,454 and expenditures of \$1,700,534. The bond retirement fund's fund balance increased \$31,920 from a balance of \$2,069,977 to a balance of \$2,101,897.
- The classroom facilities fund had revenues of \$11,640,314 and expenditures of \$16,834,668. The classroom facilities fund's fund balance decreased \$5,194,354 from a balance of \$10,420,362 to a balance of \$5,226,008.

**Using the 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, bond retirement fund, and classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 2011?" 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, bond retirement fund, and classroom facilities 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.



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

***Proprietary Funds***

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 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 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***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 24-55 of this report.

**The District as a Whole**

The table below provides a summary of the District's net assets for 2011 and 2010.

	<b>Net Assets</b>	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 23,056,095	\$ 38,550,528
Capital assets, net	<u>44,562,447</u>	<u>28,948,812</u>
Total assets	<u>67,618,542</u>	<u>67,499,340</u>
<b><u>Liabilities</u></b>		
Current liabilities	8,758,106	8,291,237
Long-term liabilities	<u>22,937,412</u>	<u>23,761,937</u>
Total liabilities	<u>31,695,518</u>	<u>32,053,174</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	22,728,182	5,792,842
Restricted	11,521,931	28,391,354
Unrestricted	<u>1,668,776</u>	<u>1,261,970</u>
Total net assets	<u>\$ 35,918,889</u>	<u>\$ 35,446,166</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$35,918,889. Of this total, \$11,521,931 is restricted in use.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

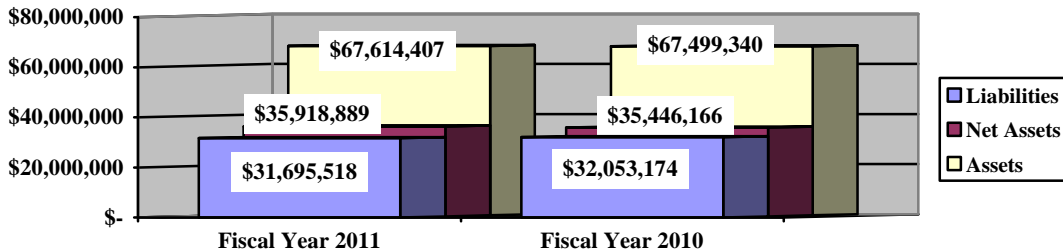
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At fiscal year-end, capital assets represented 65.9% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$22,728,182. 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, \$11,521,931, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is of \$1,668,776.

The table below provides a summary of the District's net assets for 2011 and 2010.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2011 and 2010.

**Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,057,014	\$ 1,808,808
Operating grants and contributions	2,509,670	1,649,676
General revenues:		
Property taxes	7,293,272	7,394,373
Income taxes	1,952,963	1,890,701
Grants and entitlements	7,395,094	7,869,864
Investment earnings	14,037	5,569
Other	48,867	49,907
<b>Total revenues</b>	<b>21,270,917</b>	<b>20,668,898</b>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Change in Net Assets</b>	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,510,426	\$ 8,254,015
Special	2,113,514	2,244,268
Vocational	153,819	168,137
Other	172,333	3,722
Support services:		
Pupil	1,259,263	1,101,751
Instructional staff	510,563	793,024
Board of education	44,578	99,766
Administration	1,533,171	1,613,053
Fiscal	720,120	611,503
Business	12,563	7,743
Operations and maintenance	2,100,544	1,817,389
Pupil transportation	1,057,803	1,076,704
Operations of non-instructional services:		
Food service operations	913,969	863,126
Extracurricular activities	710,017	682,548
Interest and fiscal charges	<u>985,511</u>	<u>1,068,072</u>
Total expenses	<u>20,798,194</u>	<u>20,404,821</u>
Change in net assets	472,723	264,077
Net assets at beginning of year	<u>35,446,166</u>	<u>35,182,089</u>
Net assets at end of year	<u>\$ 35,918,889</u>	<u>\$ 35,446,166</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$472,723. Total governmental expenses of \$20,798,194 were offset by program revenues of \$4,566,684 and general revenues of \$16,704,233. Program revenues supported 21.96% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 78.24% of total governmental revenue.

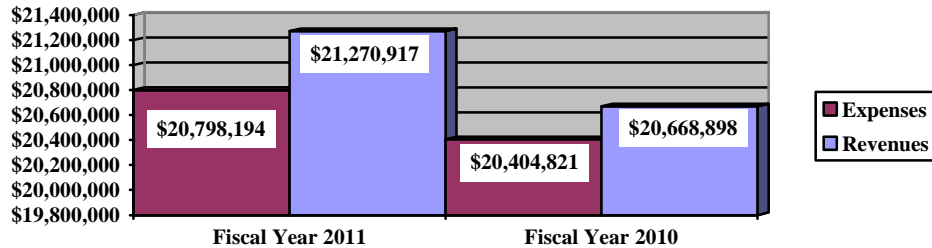
The largest expense of the District is for instructional programs. Instruction expenses totaled \$10,950,092 or 52.65% of total governmental expenses for fiscal year 2011.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,510,426	\$ 6,757,841	\$ 8,254,015	\$ 7,024,405
Special	2,113,514	1,229,469	2,244,268	1,675,047
Vocational	153,819	145,560	168,137	159,939
Other	172,333	172,333	3,722	3,722
Support services:				
Pupil	1,259,263	1,098,395	1,101,751	955,086
Instructional staff	510,563	510,563	793,024	793,024
Board of education	44,578	44,578	99,766	99,766
Administration	1,533,171	1,454,965	1,613,053	1,613,053
Fiscal	720,120	720,120	611,503	611,503
Business	12,563	12,563	7,743	7,743
Operations and maintenance	2,100,544	1,565,742	1,817,389	1,380,420
Pupil transportation	1,057,803	1,033,727	1,076,704	1,041,389
Food service operations	913,969	137,868	863,126	131,949
Extracurricular activities	710,017	362,275	682,548	381,219
Interest and fiscal charges	985,511	985,511	1,068,072	1,068,072
<b>Total expenses</b>	<b>\$ 20,798,194</b>	<b>\$ 16,231,510</b>	<b>\$ 20,404,821</b>	<b>\$ 16,946,337</b>

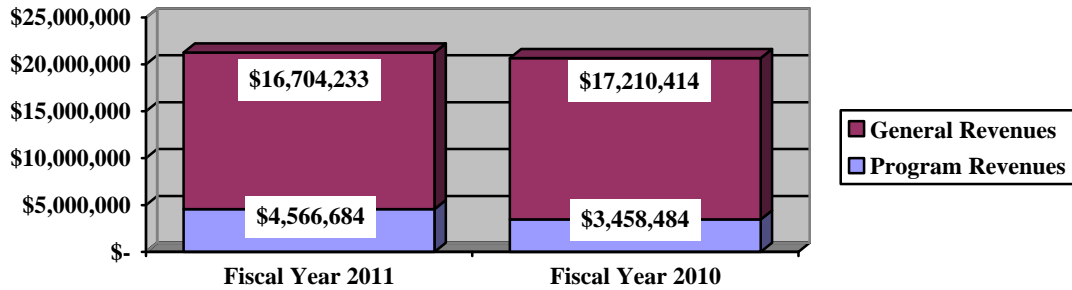
The dependence upon tax and other general revenues for governmental activities is apparent, 75.90% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.04%.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$10,940,565, which is lower than last year's total of \$16,534,334. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances at June 30, 2010 as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase/ (Decrease)	Percentage Change
General	\$ 1,563,750	\$ 2,208,942	\$ (645,192)	(29.21) %
Bond retirement	2,101,897	2,069,977	31,920	1.54 %
Classroom facilities	5,226,008	10,420,362	(5,194,354)	(49.85) %
Other governmental	2,048,910	1,835,053	213,857	11.65 %
<b>Total</b>	<b><u>\$ 10,940,565</u></b>	<b><u>\$ 16,534,334</u></b>	<b><u>\$ (5,593,769)</u></b>	<b>(33.83) %</b>

The overall decrease in fund balance is primarily due to a decrease in fund balance in the classroom facilities capital projects fund. This decrease in fund balance in the classroom facilities fund is due to increased expenditures related to the ongoing construction project with the Ohio Schools Facilities Commission (OSFC).

**General Fund**

The District's general fund balance decreased \$645,192. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below shows the revenues and expenditures of the general fund for fiscal years 2011 and 2010.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<b><u>Revenues</u></b>				
Taxes	\$ 7,175,843	\$ 7,159,255	\$ 16,588	0.23 %
Tuition	957,111	793,789	163,322	20.57 %
Earnings on investments	11,373	8	11,365	142,062.50 %
Intergovernmental	7,552,935	7,662,104	(109,169)	(1.42) %
Other revenues	<u>309,035</u>	<u>299,425</u>	<u>9,610</u>	3.21 %
Total	<u>\$ 16,006,297</u>	<u>\$ 15,914,581</u>	<u>\$ 91,716</u>	0.58 %
<b><u>Expenditures</u></b>				
Instruction	\$ 9,787,076	\$ 9,196,326	\$ 590,750	6.42 %
Support services	5,999,981	6,161,712	(161,731)	(2.62) %
Extracurricular activities	258,099	255,558	2,541	0.99 %
Debt service	<u>-</u>	<u>18,809</u>	<u>(18,809)</u>	(100.00) %
Total	<u>\$ 16,045,156</u>	<u>\$ 15,632,405</u>	<u>\$ 412,751</u>	2.64 %

The increase in earnings on investments was a result of an increase in interest rates and cash available to be invested compared to the previous year. The increase in tuition was a result of an increase in open enrollment. The increase in instruction primarily attributable to anticipated salary and benefit increases while the decrease in debt service expenditures is due to the final lease payment on copier equipment being made in fiscal year 2010.

***Bond Retirement Fund***

The bond retirement fund had revenues of \$1,732,454 and expenditures of \$1,700,534. The bond retirement fund's fund balance increased \$31,920 from a balance of \$2,069,977 to a balance of \$2,101,897.

***Classroom Facilities Fund***

The classroom facilities fund had revenues of \$11,640,314 and expenditures of \$16,834,668. The classroom facilities fund's fund balance decreased \$5,194,354 from a balance of \$10,420,362 to a balance of \$5,226,008. This decreased fund balance is a result of increased expenditures related to the OSFC construction project. The classroom facilities fund was established during fiscal year 2009 to account for grant revenues from the OSFC for the construction and improvements to school facilities.

***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 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues of \$15,663,336 were higher than the final budgeted revenues of \$15,112,873. Actual revenues for fiscal year 2011 were \$15,871,844. This represents a \$758,971 increase from final budgeted revenues.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

General fund original appropriations of \$16,866,969 were decreased to \$16,859,675 in the final appropriations. The actual budget basis expenditures for fiscal year 2011 totaled \$16,032,374, which was \$827,301 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$44,562,447 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2011 balances compared to 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 741,758	\$ 741,758
Construction-in-progress	7,928,368	3,476,570
Land improvements	1,854,735	2,002,992
Building and improvements	32,929,001	21,527,271
Furniture and equipment	552,158	611,798
Vehicles	556,427	588,423
Total	<b>\$ 44,562,447</b>	<b>\$ 28,948,812</b>

The overall increase in capital assets of \$15,613,635 is due to capital outlays of \$16,915,845 exceeding depreciation expense of \$1,302,210 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, 2011, the District had \$21,655,000 in general obligation bonds and \$184,567 in capital appreciation bonds outstanding. Of this total, \$830,000 is due within one year and \$21,009,567 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2011	Governmental Activities 2010
General obligation bonds	\$ 21,655,000	\$ 22,390,000
Capital appreciation bonds	184,567	137,829
Total	<b>\$ 21,839,567</b>	<b>\$ 22,527,829</b>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 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 May 3, 2011, the District renewed an income tax levy of 0.75% for five years and collection began during fiscal year 2012.

**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, 2011**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 13,048,325
Receivables:	
Property taxes . . . . .	6,828,913
Income taxes. . . . .	694,314
Accounts. . . . .	6,821
Accrued interest . . . . .	443
Intergovernmental . . . . .	2,195,269
Materials and supplies inventory. . . . .	23,008
Unamortized bond issuance costs . . . . .	254,867
Capital assets:	
Land and construction in progress. . . . .	8,670,126
Depreciable capital assets, net. . . . .	35,892,321
Capital assets, net . . . . .	<u>44,562,447</u>
 Total assets. . . . .	 <u>67,614,407</u>
 <b>Liabilities:</b>	
Accounts payable. . . . .	93,582
Contracts payable. . . . .	1,581,410
Accrued wages and benefits . . . . .	1,677,639
Pension obligation payable. . . . .	426,575
Intergovernmental payable . . . . .	72,734
Unearned revenue . . . . .	4,684,716
Accrued interest payable . . . . .	112,297
Claims payable. . . . .	109,153
Long-term liabilities:	
Due within one year. . . . .	1,046,106
Due in more than one year. . . . .	<u>21,891,306</u>
 Total liabilities . . . . .	 <u>31,695,518</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	22,728,182
Restricted for:	
Capital projects . . . . .	8,517,022
Debt service. . . . .	2,067,912
Classroom facilities maintenance . . . . .	210,428
Locally funded programs . . . . .	888
State funded programs. . . . .	115,230
Federally funded programs . . . . .	384,522
Food service operations . . . . .	181,041
Other purposes . . . . .	44,888
Unrestricted . . . . .	<u>1,668,776</u>
 Total net assets . . . . .	 <u>\$ 35,918,889</u>

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, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating Grants</u>	<u>Revenue and</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,510,426	\$ 1,058,424	\$ 694,161	\$ (6,757,841)
Special . . . . .	2,113,514	-	884,045	(1,229,469)
Vocational . . . . .	153,819	-	8,259	(145,560)
Other . . . . .	172,333	-	-	(172,333)
Support services:				
Pupil. . . . .	1,259,263	152,715	8,153	(1,098,395)
Instructional staff . . . . .	510,563	-	-	(510,563)
Board of education . . . . .	44,578	-	-	(44,578)
Administration. . . . .	1,533,171	-	78,206	(1,454,965)
Fiscal. . . . .	720,120	-	-	(720,120)
Business. . . . .	12,563	-	-	(12,563)
Operations and maintenance . . . . .	2,100,544	6,140	528,662	(1,565,742)
Pupil transportation. . . . .	1,057,803	-	24,076	(1,033,727)
Operation of non-instructional services:				
Food service operations . . . . .	913,969	491,993	284,108	(137,868)
Extracurricular activities. . . . .	710,017	347,742	-	(362,275)
Interest and fiscal charges . . . . .	985,511	-	-	(985,511)
<b>Total governmental activities . . . . .</b>	<b>\$ 20,798,194</b>	<b>\$ 2,057,014</b>	<b>\$ 2,509,670</b>	<b>(16,231,510)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	5,350,794
Debt service. . . . .	1,559,528
Special revenue. . . . .	139,254
Capital outlay. . . . .	243,696
School district income tax . . . . .	1,952,963
Grants and entitlements not restricted	
to specific programs . . . . .	7,395,094
Investment earnings . . . . .	14,037
Miscellaneous . . . . .	48,867
<b>Total general revenues . . . . .</b>	<b>16,704,233</b>
Change in net assets . . . . .	472,723
<b>Net assets at beginning of year. . . . .</b>	<b>35,446,166</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 35,918,889</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents. . . . .	\$ 1,690,594	\$ 1,715,165	\$ 6,786,840	\$ 2,099,674	\$ 12,292,273
Receivables:					
Property taxes. . . . .	5,026,011	1,481,653	-	321,249	6,828,913
Income taxes. . . . .	694,314	-	-	-	694,314
Accounts. . . . .	3,197	-	-	3,624	6,821
Accrued interest. . . . .	443	-	-	-	443
Interfund loans. . . . .	146	-	-	-	146
Intergovernmental. . . . .	2,324	-	1,691,486	501,459	2,195,269
Materials and supplies inventory. . . . .	-	-	-	23,008	23,008
Due from other funds. . . . .	34,611	-	-	-	34,611
Restricted assets:					
Equity in pooled cash and cash equivalents. . . . .	44,888	-	-	-	44,888
<b>Total assets</b> . . . . .	<u>\$ 7,496,528</u>	<u>\$ 3,196,818</u>	<u>\$ 8,478,326</u>	<u>\$ 2,949,014</u>	<u>\$ 22,120,686</u>
<b>Liabilities:</b>					
Accounts payable. . . . .	\$ 71,957	\$ -	\$ -	\$ 21,625	\$ 93,582
Contracts payable. . . . .	-	-	1,560,832	20,578	1,581,410
Accrued wages and benefits. . . . .	1,548,035	-	-	129,604	1,677,639
Compensated absences payable. . . . .	139,071	-	-	-	139,071
Pension obligation payable. . . . .	386,954	-	-	39,621	426,575
Intergovernmental payable. . . . .	67,467	-	-	5,267	72,734
Due to other funds. . . . .	-	-	-	34,611	34,611
Interfund loans payable. . . . .	-	-	-	146	146
Deferred revenue. . . . .	271,670	78,312	1,691,486	428,169	2,469,637
Unearned revenue. . . . .	3,447,624	1,016,609	-	220,483	4,684,716
<b>Total liabilities</b> . . . . .	<u>5,932,778</u>	<u>1,094,921</u>	<u>3,252,318</u>	<u>900,104</u>	<u>11,180,121</u>
<b>Fund Balances:</b>					
Nonspendable:					
Materials and supplies inventory. . . . .	-	-	-	23,008	23,008
Restricted:					
Debt service. . . . .	-	2,101,897	-	-	2,101,897
Capital improvements. . . . .	-	-	5,226,008	1,581,541	6,807,549
Classroom facilities maintenance. . . . .	-	-	-	210,428	210,428
Food service operations. . . . .	-	-	-	176,661	176,661
Special education. . . . .	-	-	-	2,821	2,821
Other purposes. . . . .	-	-	-	116,118	116,118
BWC refunds. . . . .	44,888	-	-	-	44,888
Committed:					
Underground storage tank. . . . .	11,000	-	-	-	11,000
Assigned:					
Student instruction. . . . .	29,787	-	-	-	29,787
Student and staff support. . . . .	53,902	-	-	-	53,902
Public school support. . . . .	82,526	-	-	-	82,526
Subsequent year appropriations. . . . .	1,341,647	-	-	-	1,341,647
Unassigned (deficit). . . . .	-	-	-	(61,667)	(61,667)
<b>Total fund balances</b> . . . . .	<u>1,563,750</u>	<u>2,101,897</u>	<u>5,226,008</u>	<u>2,048,910</u>	<u>10,940,565</u>
<b>Total liabilities and fund balances</b> . . . . .	<u>\$ 7,496,528</u>	<u>\$ 3,196,818</u>	<u>\$ 8,478,326</u>	<u>\$ 2,949,014</u>	<u>\$ 22,120,686</u>

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, 2011**

<b>Total governmental fund balances</b>		<b>\$ 10,940,565</b>
<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.		44,562,447
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 367,969	
Intergovernmental receivable	2,101,668	
Total	2,469,637	2,469,637
Unamortized bond issuance costs are not recognized in the funds.		254,867
Unamortized premiums on bond issuance are not recognized in the funds.		(968,467)
Deferred charges on refunding bonds are not recognized in the funds.		844,195
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.		(112,297)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		602,011
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 payable	(834,502)	
General obligation bonds payable	(21,655,000)	
Capital appreciation bonds payable	(184,567)	
Total	(22,674,069)	(22,674,069)
<b>Net assets of governmental activities</b>		<b>\$ 35,918,889</b>

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, 2011**

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Property taxes . . . . .	\$ 5,222,880	\$ 1,527,798	\$ -	\$ 374,058	\$ 7,124,736
Income taxes . . . . .	1,952,963	-	-	-	1,952,963
Tuition . . . . .	957,111	-	-	-	957,111
Earnings on investments . . . . .	11,373	-	2,664	293	14,330
Charges for services . . . . .	-	-	-	491,700	491,700
Extracurricular . . . . .	152,715	-	-	318,851	471,566
Classroom materials and fees . . . . .	101,313	-	-	-	101,313
Rental income . . . . .	6,140	-	-	-	6,140
Other local revenues . . . . .	48,867	-	-	28,891	77,758
Intergovernmental - intermediate . . . . .	-	-	-	3,153	3,153
Intergovernmental - state . . . . .	7,552,935	204,656	11,637,650	50,519	19,445,760
Intergovernmental - federal . . . . .	-	-	-	1,719,409	1,719,409
Total revenues . . . . .	<u>16,006,297</u>	<u>1,732,454</u>	<u>11,640,314</u>	<u>2,986,874</u>	<u>32,365,939</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	7,855,530	-	-	331,440	8,186,970
Special . . . . .	1,767,581	-	-	457,665	2,225,246
Vocational . . . . .	162,710	-	-	-	162,710
Other . . . . .	174,534	-	-	-	174,534
Support services:					
Pupil . . . . .	1,283,007	-	-	6,661	1,289,668
Instructional staff . . . . .	522,317	-	-	-	522,317
Board of education . . . . .	44,578	-	-	-	44,578
Administration . . . . .	1,437,540	-	-	68,359	1,505,899
Fiscal . . . . .	686,602	37,339	-	1,421	725,362
Business . . . . .	12,563	-	-	-	12,563
Operations and maintenance . . . . .	1,065,501	-	-	638,367	1,703,868
Pupil transportation . . . . .	1,046,952	-	-	1,000	1,047,952
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	717,926	717,926
Extracurricular activities . . . . .	258,099	-	-	349,137	607,236
Facilities acquisition and construction . . . . .	-	-	16,830,305	201,041	17,031,346
Debt service:					
Principal retirement . . . . .	-	735,000	-	-	735,000
Interest and fiscal charges . . . . .	-	928,195	4,363	-	932,558
Total expenditures . . . . .	<u>16,317,514</u>	<u>1,700,534</u>	<u>16,834,668</u>	<u>2,773,017</u>	<u>37,625,733</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(311,217)</u>	<u>31,920</u>	<u>(5,194,354)</u>	<u>213,857</u>	<u>(5,259,794)</u>
<b>Other financing (uses):</b>					
Transfers (out) . . . . .	<u>(333,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,975)</u>
Total other financing (uses) . . . . .	<u>(333,975)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(333,975)</u>
Net change in fund balances . . . . .	(645,192)	31,920	(5,194,354)	213,857	(5,593,769)
<b>Fund balances at beginning of year (restated).</b>	<u>2,208,942</u>	<u>2,069,977</u>	<u>10,420,362</u>	<u>1,835,053</u>	<u>16,534,334</u>
<b>Fund balances at end of year.</b>	<u>\$ 1,563,750</u>	<u>\$ 2,101,897</u>	<u>\$ 5,226,008</u>	<u>\$ 2,048,910</u>	<u>\$ 10,940,565</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, 2011**

**Net change in fund balances - total governmental funds** \$ (5,593,769)

*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. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital outlay	\$ 16,915,845	
Depreciation expense	<u>(1,302,210)</u>	
Total		15,613,635

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

Taxes	168,536	
Intergovernmental	<u>(11,263,558)</u>	
Total		(11,095,022)

Repayment of bond obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

735,000

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:

Decrease in accrued interest payable	3,519	
Accreted interest on capital appreciation bonds	(46,738)	
Amortization of deferred charges on refundings	(51,790)	
Amortization of bond premium	58,005	
Amortization of bond issuance costs	<u>(15,949)</u>	
Total		(52,953)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

602,011

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.

263,821

**Change in net assets of governmental activities** **\$ 472,723**

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,168,306	\$ 4,986,675	\$ 5,237,105	\$ 250,430
Income taxes . . . . .	1,927,152	1,859,425	1,952,806	93,381
Tuition . . . . .	944,537	911,343	957,111	45,768
Earnings on investments . . . . .	10,786	10,407	10,930	523
Classroom materials and fees . . . . .	99,085	95,603	100,404	4,801
Rental income . . . . .	5,961	5,751	6,040	289
Other local revenues . . . . .	53,797	51,906	54,513	2,607
Intergovernmental - state . . . . .	7,453,712	7,191,763	7,552,935	361,172
<b>Total revenues . . . . .</b>	<b>15,663,336</b>	<b>15,112,873</b>	<b>15,871,844</b>	<b>758,971</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,462,823	8,287,611	7,686,986	600,625
Special . . . . .	1,423,317	1,639,991	1,763,717	(123,726)
Vocational . . . . .	162,914	160,006	160,685	(679)
Other . . . . .	97,826	177,301	148,942	28,359
Support services:				
Pupil . . . . .	1,110,978	1,192,764	1,122,052	70,712
Instructional staff . . . . .	378,528	525,220	465,567	59,653
Board of education . . . . .	117,747	117,607	52,550	65,057
Administration . . . . .	1,388,304	1,490,342	1,479,625	10,717
Fiscal . . . . .	579,741	605,010	720,614	(115,604)
Business . . . . .	8,138	7,500	13,007	(5,507)
Operations and maintenance . . . . .	1,512,334	1,259,886	1,099,808	160,078
Pupil transportation . . . . .	1,067,919	1,025,120	1,060,615	(35,495)
Central . . . . .	720	1,305	-	1,305
Extracurricular activities . . . . .	275,505	270,012	258,206	11,806
Facilities acquisition and construction . . . . .	280,175	100,000	-	100,000
<b>Total expenditures . . . . .</b>	<b>16,866,969</b>	<b>16,859,675</b>	<b>16,032,374</b>	<b>827,301</b>
<b>Net change in fund balance . . . . .</b>	<b>(1,203,633)</b>	<b>(1,746,802)</b>	<b>(160,530)</b>	<b>1,586,272</b>
<b>Fund balance at beginning of year (restated) . . . . .</b>	<b>1,715,595</b>	<b>1,715,595</b>	<b>1,715,595</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>31,207</b>	<b>31,207</b>	<b>31,207</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 543,169</b>	<b>\$ -</b>	<b>\$ 1,586,272</b>	<b>\$ 1,586,272</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2011**

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 711,164
Total assets. . . . .	<u>711,164</u>
<b>Liabilities:</b>	
Claims payable . . . . .	<u>109,153</u>
Total liabilities . . . . .	<u>109,153</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>602,011</u>
Total net assets . . . . .	<u><u>\$ 602,011</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Sales/charges for services. . . . .	\$ 1,165,245
Total operating revenues . . . . .	<u>1,165,245</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	134,332
Claims . . . . .	<u>762,877</u>
Total operating expenses. . . . .	<u>897,209</u>
Operating loss . . . . .	<u>268,036</u>
Operating loss before transfers . . . . .	268,036
Transfer in . . . . .	<u>333,975</u>
Change in net assets. . . . .	602,011
<b>Net assets at beginning of year . . . . .</b>	<u>-</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 602,011</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 1,165,245
Cash payments for purchased services. . . . .	(134,332)
Cash payments for claims . . . . .	<u>(653,724)</u>
 Net cash provided by operating activities . . . . .	 <u>377,189</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	<u>333,975</u>
 Net cash provided by noncapital financing activities. . . . .	 <u>333,975</u>
 Net increase in cash and cash cash equivalents . . . . .	  711,164
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>-</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>\$ 711,164</u></b>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss . . . . .	\$ 268,036
Changes in assets and liabilities:	
Increase in claims payable . . . . .	<u>109,153</u>
 Net cash provided by operating activities. . . . .	 <u>\$ 377,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011**

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 68,888
Receivables:	
Accounts . . . . .	194
	69,082
Total assets. . . . .	\$ 69,082
	69,082
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 641
Due to students. . . . .	68,441
	69,082
Total liabilities . . . . .	\$ 69,082
	69,082

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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 240<sup>th</sup> largest in the State of Ohio among 918 public and community school districts in terms of enrollment. It is staffed by 81 non-certified employees and 158 certified full-time teaching and administrative personnel who provide services to 2,097 students and other community members. The District currently operates five 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**A. Reporting Entity (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 and Technical Center

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

*INSURANCE PURCHASING POOL*

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a Board of thirteen school superintendents, business managers and treasurers. Harcum-Schuetz, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Hylant Administrative Services, LLC., 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**B. Fund Accounting (Continued)**

*GOVERNMENTAL FUNDS (Continued)*

General fund - The general fund is used to account for and report all financial resources not accounted for and reported 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.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of restricted resources and payment of general obligation bond and note principal, interest and related costs.

Classroom facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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 enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides medical and dental insurance to employees.

*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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus (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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for sales and services. Operating expenses for internal service funds include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**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. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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).

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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**D. 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 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 2011 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 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 Commissioners waived this requirement for fiscal year 2011.
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. By July 1, 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 2011.
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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**E. Budgets (Continued)**

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, 2011; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2011, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). 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 2011. 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, 2011.

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 2011 amounted to \$11,373 including \$7,590 assigned from other District 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**G. Inventory (Continued)**

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.

All reported capital assets, except land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**J. Compensated Absences (Continued)**

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, 2011, 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, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences 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**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**L. Fund Balance (Continued)**

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**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 restricted 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.

**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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

**N. Prepayments (Continued)**

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, 2011.

**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 restricted asset is required by State statute. A schedule of statutory set-asides is presented in Note 16.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

**S. Unamortized Issuance 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.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

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 10.A.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,130,586	\$ 2,069,977	\$ 10,420,362	\$ 1,913,409	\$ 16,534,334
Fund reclassifications:					
Public school support fund	67,356	-	-	(67,356)	-
Underground storage tank fund	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>
Total fund reclassifications	<u>78,356</u>	<u>-</u>	<u>-</u>	<u>(78,356)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 2,208,942</u>	<u>\$ 2,069,977</u>	<u>\$ 10,420,362</u>	<u>\$ 1,835,053</u>	<u>\$ 16,534,334</u>

The fund reclassifications did not have an effect on net assets as previously reported.



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**Budgetary Basis**

	<u>General Fund</u>
Balance at June 30, 2010	\$ 2,049,570
Funds budgeted elsewhere	(333,975)
Restated balance at July 1, 2010	\$ 1,715,595

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
District managed student activity	\$ 1,920
Education jobs	8,588
Race to the top	160
Stimulus Title II-D	6
Title I - disadvantaged children	39,661
IDEA preschool grant for the handicapped	3
Improving teacher quality	11,329

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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;
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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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, 2011, the carrying amount of all District deposits was \$3,837,793. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,267,082 of the District's bank balance of \$3,894,883 was exposed to custodial risk as discussed below, while \$1,627,801 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.

**B. Investments**

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturity</u> 6 months or less
STAR Ohio	\$ <u>9,279,420</u>	\$ <u>9,279,420</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:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

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

**B. Investments (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

*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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 9,279,420</u>	<u>100.00</u>

**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, 2011:

<u>Cash and investments per note</u>		
Carrying amount of deposits		\$ 3,837,793
Investments		<u>9,279,420</u>
Total		<u>\$ 13,117,213</u>
 <u>Cash and investments per statement of net assets</u>		
Governmental activities		\$ 13,048,325
Agency fund		<u>68,888</u>
Total		<u>\$ 13,117,213</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund balances at June 30, 2011 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	<u>\$34,611</u>

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

- B. Interfund balances at June 30, 2011 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 fund	<u>\$ 146</u>

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.

- C. Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the general fund to:</u>	<u>Amount</u>
Self-insurance fund (a nonmajor governmental fund)	<u>\$333,975</u>

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 2011 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 property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Madison, Union and Franklin Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,306,717 in the general fund, \$386,732 in the bond retirement fund and \$82,779 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,320,942 in the general fund, \$423,541 in the bond retirement fund and \$83,860 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 280,132,940	97.50	\$ 282,379,450	97.51
Public utility personal	6,818,380	2.37	7,046,130	2.43
Tangible personal property	<u>366,274</u>	<u>0.13</u>	<u>178,710</u>	<u>0.06</u>
Total	<u>\$ 287,317,594</u>	<u>100.00</u>	<u>\$ 289,604,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.10		\$37.60	

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**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 2011 totaled \$1,952,963 and is credited to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2011, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 6,828,913
Income taxes	694,314
Accounts	6,821
Accrued interest	443
Intergovernmental	<u>2,195,269</u>
Total	<u>\$ 9,725,760</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$1,691,486 of intergovernmental grants due from the OSFC, are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 741,758	\$ -	\$ -	\$ 741,758
Construction in progress	<u>3,476,570</u>	<u>16,830,305</u>	<u>(12,378,507)</u>	<u>7,928,368</u>
Total capital assets, not being depreciated	<u>4,218,328</u>	<u>16,830,305</u>	<u>(12,378,507)</u>	<u>8,670,126</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,261,859	-	-	3,261,859
Buildings and improvements	35,313,863	12,378,507	-	47,692,370
Furniture and equipment	1,108,243	-	-	1,108,243
Vehicles	<u>1,696,152</u>	<u>85,540</u>	<u>(48,327)</u>	<u>1,733,365</u>
Total capital assets, being depreciated	<u>41,380,117</u>	<u>12,464,047</u>	<u>(48,327)</u>	<u>53,795,837</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,258,867)	(148,257)	-	(1,407,124)
Buildings and improvements	(13,786,592)	(976,777)	-	(14,763,369)
Furniture and equipment	(496,445)	(59,640)	-	(556,085)
Vehicles	<u>(1,107,729)</u>	<u>(117,536)</u>	<u>48,327</u>	<u>(1,176,938)</u>
Total accumulated depreciation	<u>(16,649,633)</u>	<u>(1,302,210)</u>	<u>48,327</u>	<u>(17,903,516)</u>
Governmental activities capital assets, net	<u>\$ 28,948,812</u>	<u>\$ 27,992,142</u>	<u>\$ (12,378,507)</u>	<u>\$ 44,562,447</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 624,531

Support Services:

Administration	58,344
Operations and maintenance	201,725
Pupil transportation	120,046
Extracurricular activities	102,781
Food service operations	<u>194,783</u>
Total depreciation expense	<u>\$ 1,302,210</u>



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2010	Additions	Reductions	Balance Outstanding June 30, 2011	Amounts Due in One Year
<b>Governmental activities:</b>					
<u>General Obligation Bonds:</u>					
Series 2002	\$ 3,945,000	\$ -	\$ (680,000)	\$ 3,265,000	\$ 775,000
Series 2006	9,152,925	27,705	(30,000)	9,150,630	30,000
Series 2007	9,429,904	19,033	(25,000)	9,423,937	25,000
Total general obligation bonds	<u>22,527,829</u>	<u>46,738</u>	<u>(735,000)</u>	<u>21,839,567</u>	<u>830,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated absences	1,103,621	82,860	(212,908)	973,573	216,106
Total other long-term liabilities	<u>1,103,621</u>	<u>82,860</u>	<u>(212,908)</u>	<u>973,573</u>	<u>216,106</u>
Total	<u>\$ 23,631,450</u>	<u>\$ 129,598</u>	<u>\$ (947,908)</u>	22,813,140	<u>\$ 1,046,106</u>
Less: deferred charge on refunding				(844,195)	
Add: unamortized premium				<u>968,467</u>	
Total long-term liabilities				<u>\$ 22,937,412</u>	

General Obligation Bonds: See Note 10.B.-10.D. for more 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 mil bonded debt tax levy.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

The following is a schedule of activity for fiscal year 2011 on the Series 2002 general obligation bonds:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Current interest bonds - Series 2002	\$ 3,945,000	\$ -	\$ (680,000)	\$ 3,265,000
Total G.O. bonds	\$ 3,945,000	\$ -	\$ (680,000)	\$ 3,265,000

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		
	Principal	Interest	Total
2012	\$ 775,000	\$ 559,834	\$ 1,334,834
2013	840,000	528,889	1,368,889
2014	870,000	495,125	1,365,125
2015	780,000	462,365	1,242,365
Total	\$ 3,265,000	\$2,046,213	\$ 5,311,213

- 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, (approximate initial offering yield at maturity of 4.00%) 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 on the capital appreciation bonds of \$80,633 has been included as long-term liabilities on the statement of net assets at June 30, 2011.

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.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

The following is a schedule of activity for fiscal year 2010 on the Series 2006 general obligation bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
Series 2006	\$ 9,070,000	\$ -	\$ (30,000)	\$ 9,040,000
Capital appreciation bonds -				
Series 2006	29,997	-	-	29,997
Capital appreciation bonds -				
Accreted interest	<u>52,928</u>	<u>27,705</u>	<u>-</u>	<u>80,633</u>
<b>Total G.O. bonds</b>	<b><u>\$ 9,152,925</u></b>	<b><u>\$ 27,705</u></b>	<b><u>\$ (30,000)</u></b>	<b><u>\$ 9,150,630</u></b>

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
2012	\$ 30,000	\$ 390,712	\$ 420,712	\$ -	\$ -	\$ -
2013	35,000	389,412	424,412	-	-	-
2014	35,000	388,012	423,012	-	-	-
2015	35,000	386,613	421,613	-	-	-
2016	40,000	385,112	425,112	-	-	-
2017 - 2021	80,000	1,914,763	1,994,763	29,997	510,003	540,000
2022 - 2026	1,390,000	1,865,888	3,255,888	-	-	-
2027 - 2031	<u>7,395,000</u>	<u>835,982</u>	<u>8,230,982</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 9,040,000</u></b>	<b><u>\$6,556,494</u></b>	<b><u>\$15,596,494</u></b>	<b><u>\$ 29,997</u></b>	<b><u>\$ 510,003</u></b>	<b><u>\$ 540,000</u></b>

- 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, (approximate initial offering yield at maturity of 4.04%) 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 on the capital appreciation bonds of \$48,941 has been included as long-term liabilities on the statement of net assets at June 30, 2011.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 10 - 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.

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.

The following is a schedule of activity for fiscal year 2011 on the Series 2007 general obligation bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds - Series 2007	\$ 9,375,000	\$ -	\$ (25,000)	\$ 9,350,000
Capital appreciation bonds - Series 2007	24,996	-	-	24,996
Capital appreciation bonds - Accreted interest	<u>29,908</u>	<u>19,033</u>	<u>-</u>	<u>48,941</u>
Total G.O. bonds	<u>\$ 9,429,904</u>	<u>\$ 19,033</u>	<u>\$ (25,000)</u>	<u>\$ 9,423,937</u>

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
2012	\$ 25,000	\$ 397,013	\$ 422,013	\$ -	\$ -	\$ -
2013	25,000	396,013	421,013	-	-	-
2014	25,000	395,013	420,013	-	-	-
2015	25,000	394,013	419,013	-	-	-
2016	845,000	376,113	1,221,113	-	-	-
2017 - 2021	3,860,000	1,452,263	5,312,263	24,996	355,004	380,000
2022 - 2025	<u>4,545,000</u>	<u>394,656</u>	<u>4,939,656</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,350,000</u>	<u>\$3,805,084</u>	<u>\$13,155,084</u>	<u>\$ 24,996</u>	<u>\$ 355,004</u>	<u>\$ 380,000</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 10 - 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, 2011, are a voted debt margin of \$6,440,206 (including available funds of \$2,101,897) and an unvoted debt margin of \$289,426.

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

During fiscal year 2011, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (See Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Hylant Administrative Services, LLC. The following is the District's insurance coverage:

Total policy coverage - includes the following:

Property limit (\$1,000 deductible)	\$59,315,778
Boiler and Machinery (\$1,000 deductible)	59,315,778
Automobile liability (\$1,000 deductible)	4,000,000
Uninsured/underinsured motorist	50,000
Medical payments	5,000
Public Employee Dishonesty	100,000
General school district liability	
Per occurrence	4,000,000
Total per year	6,000,000
Excess liability	6,000,000

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. Workers' Compensation Plan**

The District participates in a group rating plan (GRP). 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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 Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Health and Dental Insurance**

From July 1, 2010 through December 31, 2010, the District offered health, life, dental and other group insurance to employees as a fringe benefit and was traditionally funded through United Health Care. Employer and employee contributions to premium were determined by negotiated agreements with employee labor unions. Beginning January 1, 2011 the District began offering health and dental insurance to employees through a self-insurance internal service fund. The District maintained its self-insurance program for insurance benefits with Anthem (a third-party administrator). The District has elected to maintain the funds within the District; however, monthly premiums (both employee and employer) portions are paid out of the respective employee funds and paid into the self-insurance fund. The third-party administrator processes the claims which are approved by the District Treasurer. Monies are then transferred to a clearing account and claims are paid.

The claims liability of \$109,153 reported in the internal service fund at June 30, 2011, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ -	\$ 762,877	\$ (653,724)	\$ 109,153

**NOTE 12 - 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, disability, survivor 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 "Media/Financial Reports".

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 12 - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$276,746, \$280,201 and \$191,223, respectively; 49.17 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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 website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

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

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

Funding Policy - For fiscal year 2011, 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, 2011, 2010 and 2009 were \$1,132,415, \$1,015,252 and \$980,565, respectively; 83.43 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$87,286 made by the District and \$62,347 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".



**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$66,906, \$52,009 and \$117,922, respectively; 49.17 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$17,809, \$16,663 and \$15,777, respectively; 49.17 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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), under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$87,109, \$80,866 and \$75,428, respectively; 83.43 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (160,530)
Net adjustment for revenue accruals	(18,262)
Net adjustment for expenditure accruals	(233,639)
Funds budgeted elsewhere	(318,805)
Adjustment for encumbrances	<u>86,044</u>
GAAP basis	<u>\$ (645,192)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund and the underground storage tank fund.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will not have a material effect, if any, on the financial condition of the District.

**NOTE 16 - SET-ASIDES**

The 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 and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	317,443	317,443
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(301,090)	-
Excess qualified expenditures from prior years	(353,958)	-
Current year offsets	-	(317,443)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (337,605)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 16 - SET-ASIDES (Continued)**

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year.

A schedule of the restricted assets at June 30, 2011 follows:

Amounts restricted for BWC refunds \$ 44,888

**NOTE 17 - CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding at June 30, 2011, related to their OSFC construction project.

Scope of Work	Contractor	Total Contract	Amount Paid	Remaining Contract
Technology	Beacon Electric	\$ 949,000	\$ 499,914	\$ 449,086
Food Services	Best Restaurant	371,550	347,233	24,317
Electrical	Claypool Electric	3,080,716	2,318,446	762,270
CMS General Trades	Central Ohio Building	4,378,694	2,747,659	1,631,035
Classroom Furniture	Continental Furniture	374,062	-	374,062
Plumbing	Gutridge Plumbing	900,082	827,017	73,065
HVAC	Gutridge Plumbing	2,514,224	2,282,993	231,231
Masonry	International Masonry	1,577,584	1,515,423	62,161
Geothermal	Jackson Drilling	1,099,232	921,446	177,786
Media Center	Library Design	67,949	-	67,949
Hazardous Abatement Material	Lepi Enterprises	26,223	-	26,223
Fire Suppression	SA Communale	461,420	351,552	109,868
PCES Site	Seals Construction	925,140	492,839	432,301
CMS Site	Seals Construction	857,149	294,207	562,942
PCES General Trades	Thomas & Marker	5,061,596	3,121,864	1,939,732
CMS Fiber Connection	Team Fishel	213,726	191,275	22,451
CMS Loose Furnishings	Tom Sexton & Associates	46,533	-	46,533
<b>Total</b>		<u>\$ 22,904,880</u>	<u>\$ 15,911,868</u>	<u>\$ 6,993,012</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(Continued)**

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 86,154
Classroom facilities fund	6,459,574
Nonmajor governmental funds	<u>55,487</u>
 Total	 <u>\$ 6,601,215</u>

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 43,951	\$ 43,951
Cash Assistance			
School Breakfast Program	10.553	38,250	38,250
National School Lunch Program	10.555	<u>228,076</u>	<u>228,076</u>
Total U.S. Department of Agriculture		<u><b>310,277</b></u>	<u><b>310,277</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	217,493	213,351
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>43,192</u>	<u>59,356</u>
Total Title I Cluster		<u>260,685</u>	<u>272,707</u>
Special Education Cluster:			
Special Education Grants to States	84.027	351,127	365,466
ARRA - Special Education Grants to States	84.391	172,952	165,000
Special Education Preschool Grant	84.173	<u>9,717</u>	<u>9,717</u>
Total Special Education Cluster		<u>533,796</u>	<u>540,183</u>
Safe and Drug Free School and Communities State Grants	84.186	3,640	3,740
Educational Technology State Grants	84.318	3,017	3,017
Improving Teacher Quality State Grants	84.367	49,922	38,905
ARRA - State Fiscal Stabilization Fund	84.394	<u>528,662</u>	<u>528,648</u>
Total U.S. Department of Education		<u>1,379,722</u>	<u>1,387,200</u>
<b>Total</b>		<u><b>\$ 1,689,999</b></u>	<u><b>\$ 1,697,477</b></u>

*The accompanying notes 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, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Jonathan Alder Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B – CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at their entitlement value. The District allocated donated food commodities to the respective programs that benefited from the use of those donated food commodities.





# Dave Yost • 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 Jonathan Alder Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 24, 2012, wherein we noted the District adopted Governmental Accounting Standards Board Statement No. 54. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

### 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 did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 24, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

February 24, 2012



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Jonathan Alder Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year June 30, 2011.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted matters involving federal compliance or 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 24, 2012.

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



**Dave Yost**  
Auditor of State

February 24, 2012

**JONATHAN ALDER LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #10.553 and #10.555 – Nutrition Cluster CFDA #84.027, #84.391 & #84.173 – Special Education Grants to State Cluster CFDA #84.394 – State Fiscal Stabilization Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Jonathan Alder Local School District, Madison County (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 24, 2012

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# Dave Yost • 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 27, 2012**