

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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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, 2012, 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, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2013, 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 receipts and expenditures 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

January 8, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The management's discussion and analysis of the Jonathan Alder Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. 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 2012 are as follows:

- In total, net assets of governmental activities decreased \$803,648 which represents a 2.24% decrease from 2011.
- General revenues accounted for \$18,587,814 in revenue or 84.51% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,407,872 or 15.49% of total revenues of \$21,995,686.
- The District had \$22,799,334 in expenses related to governmental activities; \$3,407,872 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 \$18,587,814 were mostly adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund and classroom facilities fund. The general fund had \$16,463,722 in revenues and \$16,320,385 in expenditures and other financing uses. During fiscal year 2012, the general fund balance increased \$143,337 from a balance of \$1,563,750 to a balance of \$1,707,087.
- The bond retirement fund had revenues of \$1,871,307 and expenditures and other financing uses of \$2,567,972. The bond retirement fund balance decreased \$696,665 from a balance of \$2,101,897 to a balance of \$1,320,769.
- The permanent improvement fund had revenues and other financing sources of \$1,082,486 and expenditures of \$404,684. The permanent improvement fund balance increased \$677,802 from a balance of \$1,405,232 to a balance of \$2,171,034.
- The classroom facilities fund had revenues and other financing sources of \$1,761,783 and expenditures and other financing uses of \$6,913,777. The classroom facilities fund balance decreased \$5,151,994 from a balance of \$5,226,008 to a balance of \$74,014.

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, permanent improvement 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, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" 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, permanent improvement 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 24-54 of this report.

The District as a Whole

The table below provides a summary of the District's net assets for 2012 and 2011.

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 14,487,712	\$ 23,051,960
Capital assets, net	<u>50,191,094</u>	<u>44,562,447</u>
Total assets	<u>64,678,806</u>	<u>67,614,407</u>
<u>Liabilities</u>		
Current liabilities	7,496,700	8,758,106
Long-term liabilities	<u>22,066,865</u>	<u>22,937,412</u>
Total liabilities	<u>29,563,565</u>	<u>31,695,518</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	29,264,359	22,728,182
Restricted	4,176,294	11,521,931
Unrestricted	<u>1,674,588</u>	<u>1,668,776</u>
Total net assets	<u>\$ 35,115,241</u>	<u>\$ 35,918,889</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$35,115,241. Of this total, \$4,176,294 is restricted in use.

The significant changes in the assets, liabilities and net assets are a direct correlation of the Ohio School Facility Commission building project ongoing by the District. During the fiscal year, the District used much of its cash for construction costs related to this project. This created the current assets to decrease while the capital assets increased. As the District approaches the end of the project, many of the contracts has been fulfilled which creates a decrease in the amount of contracts payable at the end of the fiscal year explaining the decrease in current liabilities. These capital expenditures essentially moved the balances of the District from restricted to invested in capital asset, net of related debt.

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

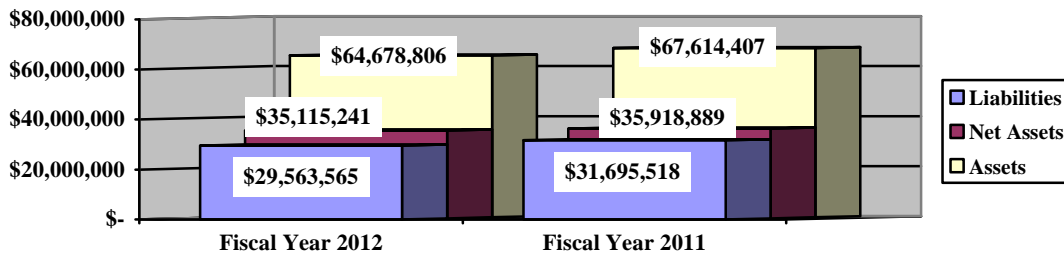
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

At fiscal year-end, capital assets represented 77.60% 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, 2012, were \$29,264,359. 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, \$4,176,294, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is of \$1,674,588.

The table below provides a summary of the District's net assets for 2012 and 2011.

Governmental Activities



The table below shows the change in net assets for fiscal year 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,943,780	\$ 2,057,014
Operating grants and contributions	1,464,092	2,509,670
General revenues:		
Property taxes	7,924,906	7,293,272
Income taxes	2,187,446	1,952,963
Grants and entitlements	8,420,564	7,395,094
Investment earnings	2,766	14,037
Other	52,132	48,867
Total revenues	21,995,686	21,270,917

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Change in Net Assets

	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,151,930	\$ 8,510,426
Special	1,892,928	2,113,514
Vocational	76,573	153,819
Other	44,541	172,333
Support services:		
Pupil	1,451,389	1,259,263
Instructional staff	512,558	510,563
Board of education	130,568	44,578
Administration	1,686,944	1,533,171
Fiscal	763,515	720,120
Business	9,868	12,563
Operations and maintenance	3,082,758	2,100,544
Pupil transportation	1,246,632	1,057,803
Operations of non-instructional services:		
Food service operations	1,076,474	913,969
Extracurricular activities	702,820	710,017
Interest and fiscal charges	<u>969,836</u>	<u>985,511</u>
Total expenses	<u>22,799,334</u>	<u>20,798,194</u>
Change in net assets	(803,648)	472,723
Net assets at beginning of year	<u>35,918,889</u>	<u>35,446,166</u>
Net assets at end of year	<u>\$ 35,115,241</u>	<u>\$ 35,918,889</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$803,648. Total governmental expenses of \$22,799,334 were offset by program revenues of \$3,407,872 and general revenues of \$18,587,814. Program revenues supported 14.95% 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 84.51% of total governmental revenue.

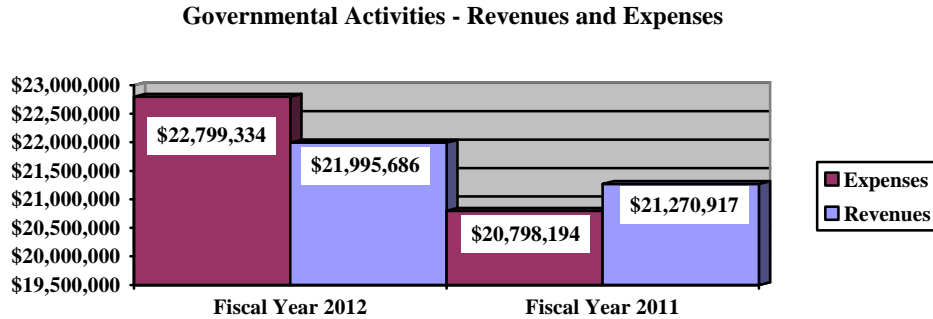
The decrease in operating grants and contributions is due to a decrease in federal grant revenue from the funds education jobs, IDEA Part B, and education stabilization. American Recovery and Reinvestment Act (ARRA) funds received in fiscal year 2011 were not available again in fiscal year 2012. The increase in grants and entitlements can be attributed to the final recognition of the remaining receipts from the State of Ohio regarding the Ohio Schools Facilities Commission

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,165,972 or 48.97% of total governmental expenses for fiscal year 2012.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.



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 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Program expenses				
Instruction:				
Regular	\$ 9,151,930	\$ 7,815,402	\$ 8,510,426	\$ 6,757,841
Special	1,892,928	1,209,451	2,113,514	1,229,469
Vocational	76,573	68,314	153,819	145,560
Other	44,541	44,541	172,333	172,333
Support services:				
Pupil	1,451,389	1,305,106	1,259,263	1,098,395
Instructional staff	512,558	512,558	510,563	510,563
Board of education	130,568	130,568	44,578	44,578
Administration	1,686,944	1,607,878	1,533,171	1,454,965
Fiscal	763,515	763,515	720,120	720,120
Business	9,868	9,868	12,563	12,563
Operations and maintenance	3,082,758	3,075,300	2,100,544	1,565,742
Pupil transportation	1,246,632	1,229,708	1,057,803	1,033,727
Food service operations	1,076,474	295,993	913,969	137,868
Extracurricular activities	702,820	353,424	710,017	362,275
Interest and fiscal charges	969,836	969,836	985,511	985,511
Total expenses	<u>\$ 22,799,334</u>	<u>\$ 19,391,462</u>	<u>\$ 20,798,194</u>	<u>\$ 16,231,510</u>

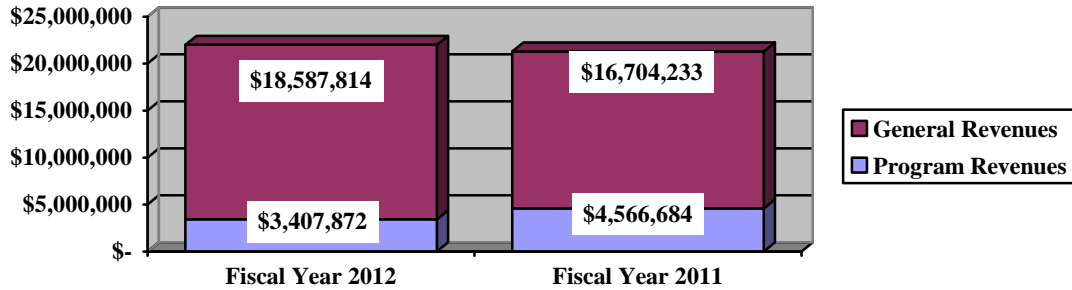
The dependence upon tax and other general revenues for governmental activities is apparent, 81.84% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.05%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,855,565, which is lower than last year's total of \$10,940,565. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase/ (Decrease)	Percentage Change
General	\$ 1,707,087	\$ 1,563,750	\$ 143,337	9.17 %
Bond retirement	1,405,232	2,101,897	(696,665)	(33.14) %
Permanent improvement	2,171,034	1,493,232	677,802	45.39 %
Classroom facilities	74,014	5,226,008	(5,151,994)	(98.58) %
Other governmental	498,198	555,678	(57,480)	(10.34) %
Total	\$ 5,855,565	\$ 10,940,565	\$ (5,085,000)	(46.48) %

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 increased \$143,337. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The table below shows the revenues and expenditures of the general fund for fiscal years 2012 and 2011.

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,803,387	\$ 7,175,843	\$ 627,544	8.75 %
Tuition	879,555	957,111	(77,556)	(8.10) %
Earnings on investments	1,679	11,373	(9,694)	(85.24) %
Intergovernmental	7,467,806	7,552,935	(85,129)	(1.13) %
Other revenues	<u>311,295</u>	<u>309,035</u>	<u>2,260</u>	0.73 %
Total	<u>\$ 16,463,722</u>	<u>\$ 16,006,297</u>	<u>\$ 457,425</u>	2.86 %
<u>Expenditures</u>				
Instruction	\$ 9,060,837	\$ 9,960,355	\$ (899,518)	(9.03) %
Support services	6,995,396	6,099,060	896,336	14.70 %
Extracurricular activities	<u>263,917</u>	<u>258,099</u>	<u>5,818</u>	2.25 %
Total	<u>\$ 16,320,150</u>	<u>\$ 16,317,514</u>	<u>\$ 2,636</u>	0.02 %

The decrease in earnings on investments was a result of a decrease in the amount of cash available to be invested compared to the previous year. The increase in taxes is primarily due to an increase in property taxes. This increase was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. This variance resulted in more tax revenue being reported in fiscal year 2012 compared to 2011. Overall expenditures increased 0.02%. The decrease in instruction can be attributed to a decrease in the costs of the daily interaction between teachers and students as well as a decrease in the costs of special needs children. The increase in support services is a result of the increase in operations and maintenance costs in maintaining the day to day activities of the District.

Bond Retirement Fund

The bond retirement fund had revenues of \$1,871,307 and expenditures and other financing uses of \$2,567,972. The bond retirement fund's fund balance decreased \$696,665 from a balance of \$2,101,897 to a balance of \$1,405,232. The decrease in fund balance is due to a transfer out of \$800,000 to the permanent improvement fund to cover construction costs associated with the junior high school.

Permanent Improvement Fund

The permanent improvement fund had revenues and other financing sources of \$1,082,486 and expenditures of \$404,684. The permanent improvement fund's fund balance increased \$677,802 from a balance of \$1,493,232 to a balance of \$2,171,034. The increase in fund balance is due to a transfer in of \$800,000 from the bond retirement fund to cover construction costs associated with the junior high school.

Classroom Facilities Fund

The classroom facilities fund had revenues and other financing sources of \$1,761,783 and expenditures and other financing uses of \$6,913,777. The classroom facilities fund's fund balance decreased \$5,151,994 from a balance of \$5,226,008 to a balance of \$74,014. 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$15,750,000 remained the same for the final budgeted revenues and other financing sources. Actual revenues for fiscal year 2012 were \$15,962,610. This represents a \$212,610 increase from final budgeted revenues.

General fund original appropriations of \$16,715,223 were increased to \$16,723,032 in the final appropriations. The actual budget basis expenditures for fiscal year 2012 totaled \$16,457,947, which was \$265,085 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$50,191,094 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 2012 balances compared to 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 741,758	\$ 741,758
Construction-in-progress	14,906,320	7,928,368
Land improvements	1,710,378	1,854,735
Building and improvements	31,832,018	32,929,001
Furniture and equipment	495,910	552,158
Vehicles	504,710	556,427
Total	\$ 50,191,094	\$ 44,562,447

The overall increase in capital assets of \$5,628,647 is due to capital outlays of \$7,053,862 exceeding depreciation expense of \$1,425,215 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)**

Debt Administration

At June 30, 2012, the District had \$20,825,000 in general obligation bonds and \$247,158 in capital appreciation bonds outstanding. Of this total, \$900,000 is due within one year and \$20,172,158 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ 20,825,000	\$ 21,655,000
Capital appreciation bonds	<u>247,158</u>	<u>184,567</u>
Total	<u>\$ 21,072,158</u>	<u>\$ 21,839,567</u>

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

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.

The District is expecting to finish the ongoing construction project and capitalize the building project in fiscal year 2013.

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, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,777,397
Receivables:	
Property taxes	7,246,204
Income taxes.	840,888
Accounts.	1,658
Accrued interest	423
Intergovernmental	366,049
Materials and supplies inventory.	16,175
Unamortized bond issuance costs	238,918
Capital assets:	
Land and construction in progress.	15,648,078
Depreciable capital assets, net.	34,543,016
Capital assets, net	50,191,094
 Total assets.	 64,678,806
 Liabilities:	
Accounts payable.	43,893
Contracts payable.	364,302
Accrued wages and benefits	1,669,328
Pension obligation payable.	360,579
Intergovernmental payable	80,825
Unearned revenue	4,553,332
Accrued interest payable	109,526
Claims payable.	314,915
Long-term liabilities:	
Due within one year.	968,477
Due in more than one year.	21,098,388
 Total liabilities	 29,563,565
 Net Assets:	
Invested in capital assets, net of related debt.	29,264,359
Restricted for:	
Capital projects	2,263,259
Debt service.	1,381,316
Classroom facilities maintenance	181,997
Locally funded programs	99
State funded programs.	114,040
Federally funded programs	10,887
Student activities	37,874
Other purposes	186,822
Unrestricted	1,674,588
 Total net assets	 \$ 35,115,241

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, 2012

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 9,151,930	\$ 984,977	\$ 351,551	\$ (7,815,402)
Special	1,892,928	-	683,477	(1,209,451)
Vocational	76,573	-	8,259	(68,314)
Other	44,541	-	-	(44,541)
Support services:				
Pupil	1,451,389	146,283	-	(1,305,106)
Instructional staff	512,558	-	-	(512,558)
Board of education	130,568	-	-	(130,568)
Administration	1,686,944	-	79,066	(1,607,878)
Fiscal	763,515	-	-	(763,515)
Business	9,868	-	-	(9,868)
Operations and maintenance	3,082,758	7,458	-	(3,075,300)
Pupil transportation	1,246,632	-	16,924	(1,229,708)
Operation of non-instructional services:				
Food service operations	1,076,474	455,666	324,815	(295,993)
Extracurricular activities	702,820	349,396	-	(353,424)
Interest and fiscal charges	969,836	-	-	(969,836)
Total governmental activities	\$ 22,799,334	\$ 1,943,780	\$ 1,464,092	(19,391,462)
General Revenues:				
Property taxes levied for:				
General purposes				5,866,430
Debt service				1,705,032
Special revenue				139,256
Capital outlay				214,188
School district income tax				2,187,446
Grants and entitlements not restricted to specific programs				8,420,564
Investment earnings				2,766
Miscellaneous				52,132
Total general revenues				18,587,814
Change in net assets				(803,648)
Net assets at beginning of year				35,918,889
Net assets at end of year				\$ 35,115,241

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents.	\$ 1,131,053	\$ 924,752	\$ 2,072,645	\$ 235,562	\$ 777,075	\$ 5,141,087
Receivables:						
Property taxes.	5,233,213	1,692,220	320,771	-	-	7,246,204
Income taxes	840,888	-	-	-	-	840,888
Accounts	535	-	-	-	1,123	1,658
Accrued interest	423	-	-	-	-	423
Interfund loans	146	-	-	-	-	146
Intergovernmental.	36,927	-	-	-	329,122	366,049
Materials and supplies inventory.	-	-	-	-	16,175	16,175
Due from other funds	170,561	-	-	-	-	170,561
Total assets	<u>\$ 7,413,746</u>	<u>\$ 2,616,972</u>	<u>\$ 2,393,416</u>	<u>\$ 235,562</u>	<u>\$ 1,123,495</u>	<u>\$ 13,783,191</u>
Liabilities:						
Accounts payable	\$ 40,917	\$ -	\$ -	\$ -	\$ 2,976	\$ 43,893
Contracts payable.	-	-	-	161,548	202,754	364,302
Accrued wages and benefits.	1,496,829	-	-	-	172,499	1,669,328
Pension obligation payable	329,583	-	-	-	30,996	360,579
Intergovernmental payable	73,981	-	-	-	6,844	80,825
Due to other funds	-	-	-	-	170,561	170,561
Interfund loans payable.	-	-	-	-	146	146
Deferred revenue	542,318	85,610	18,211	-	38,521	684,660
Unearned revenue.	3,223,031	1,126,130	204,171	-	-	4,553,332
Total liabilities.	<u>5,706,659</u>	<u>1,211,740</u>	<u>222,382</u>	<u>161,548</u>	<u>625,297</u>	<u>7,927,626</u>
Fund Balances:						
Nonspendable:						
Materials and supplies inventory.	-	-	-	-	16,175	16,175
Restricted:						
Debt service	-	1,405,232	-	-	-	1,405,232
Capital improvements	-	-	2,171,034	74,014	-	2,245,048
Classroom facilities maintenance	-	-	-	-	181,997	181,997
Food service operations	-	-	-	-	191,950	191,950
Other purposes.	-	-	-	-	114,139	114,139
Extracurricular.	-	-	-	-	37,874	37,874
Committed:						
Underground storage tank	11,000	-	-	-	-	11,000
Assigned:						
Student instruction	20,657	-	-	-	-	20,657
Student and staff support.	14,123	-	-	-	-	14,123
Public school support	70,774	-	-	-	-	70,774
Subsequent year appropriations	546,050	-	-	-	-	546,050
Unassigned (deficit)	1,044,483	-	-	-	(43,937)	1,000,546
Total fund balances	<u>1,707,087</u>	<u>1,405,232</u>	<u>2,171,034</u>	<u>74,014</u>	<u>498,198</u>	<u>5,855,565</u>
Total liabilities and fund balances	<u>\$ 7,413,746</u>	<u>\$ 2,616,972</u>	<u>\$ 2,393,416</u>	<u>\$ 235,562</u>	<u>\$ 1,123,495</u>	<u>\$ 13,783,191</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, 2012

Total governmental fund balances		\$	5,855,565
<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.			50,191,094
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	486,276	
Income taxes receivable		139,704	
Intergovernmental receivable		58,680	
Total		684,660	684,660
Unamortized bond issuance costs are not recognized in the funds.			238,918
Unamortized premiums on bond issuance are not recognized in the funds.			(910,462)
Deferred charges on refunding bonds are not recognized in the funds.			792,405
On the statement of net assets interest is accrued on outstanding bonds, whereas in governmental funds, interest is reported when due.			(109,526)
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.			321,395
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		(876,650)	
General obligation bonds payable		(20,825,000)	
Capital appreciation bonds payable		(247,158)	
Total		(21,948,808)	(21,948,808)
Net assets of governmental activities		\$	35,115,241

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, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Property taxes	\$ 5,755,645	\$ 1,697,734	\$ 213,964	\$ -	\$ 139,256	\$ 7,806,599
Income taxes	2,047,742	-	-	-	-	2,047,742
Tuition	879,555	-	-	-	550	880,105
Earnings on investments	1,679	-	-	1,087	422	3,188
Charges for services	-	-	-	-	455,666	455,666
Extracurricular	146,283	-	-	-	313,239	459,522
Classroom materials and fees	105,422	-	-	-	-	105,422
Rental income	7,458	-	-	-	-	7,458
Other local revenues	52,132	-	-	-	36,157	88,289
Intergovernmental - state	7,451,038	173,573	68,522	1,713,575	6,141	9,412,849
Intergovernmental - federal	16,768	-	-	-	1,425,913	1,442,681
Total revenues	16,463,722	1,871,307	282,486	1,714,662	2,377,344	22,709,521
Expenditures:						
Current:						
Instruction:						
Regular	7,385,708	-	-	-	692,092	8,077,800
Special	1,559,705	-	-	-	300,763	1,860,468
Vocational	71,667	-	-	-	-	71,667
Other	43,757	-	-	-	-	43,757
Support services:						
Pupil	1,435,051	-	-	-	3,199	1,438,250
Instructional staff	502,804	-	-	-	-	502,804
Board of education	130,568	-	-	-	-	130,568
Administration	1,558,787	-	-	-	77,867	1,636,654
Fiscal	706,780	37,983	8,075	-	-	752,838
Business	9,868	-	-	-	-	9,868
Operations and maintenance	1,582,323	-	(996)	-	121,362	1,702,689
Pupil transportation	1,069,215	-	-	-	-	1,069,215
Operation of non-instructional services:						
Food service operations	-	-	-	-	772,025	772,025
Extracurricular activities	263,917	-	-	-	309,837	573,754
Facilities acquisition and construction	-	-	397,605	5,504,738	1,519,539	7,421,882
Debt service:						
Principal retirement	-	830,000	-	-	-	830,000
Interest and fiscal charges	-	899,989	-	293	-	900,282
Total expenditures	16,320,150	1,767,972	404,684	5,505,031	3,796,684	27,794,521
Excess (deficiency) of revenues over (under) expenditures	143,572	103,335	(122,198)	(3,790,369)	(1,419,340)	(5,085,000)
Other financing (uses):						
Transfers in	-	-	800,000	47,121	1,408,981	2,256,102
Transfers (out)	(235)	(800,000)	-	(1,408,746)	(47,121)	(2,256,102)
Total other financing (uses)	(235)	(800,000)	800,000	(1,361,625)	1,361,860	-
Net change in fund balances	143,337	(696,665)	677,802	(5,151,994)	(57,480)	(5,085,000)
Fund balances at beginning of year	1,563,750	2,101,897	1,493,232	5,226,008	555,678	10,940,565
Fund balances at end of year	\$ 1,707,087	\$ 1,405,232	\$ 2,171,034	\$ 74,014	\$ 498,198	\$ 5,855,565

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, 2012

Net change in fund balances - total governmental funds \$ (5,085,000)

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	\$	7,053,862	
Depreciation expense		(1,425,215)	
Total			5,628,647

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

Property taxes		118,307	
Income taxes		139,704	
Intergovernmental		(2,042,988)	
Total			(1,784,977)

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

830,000

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		2,771	
Accreted interest on capital appreciation bonds		(62,591)	
Amortization of deferred charges on refundings		(51,790)	
Amortization of bond premium		58,005	
Amortization of bond issuance costs		(15,949)	
Total			(69,554)

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.

(280,616)

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.

(42,148)

Change in net assets of governmental activities \$ (803,648)

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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 5,362,250	\$ 5,362,250	\$ 5,434,635	\$ 72,385
Income taxes.	1,998,244	1,998,244	2,025,218	26,974
Tuition.	867,840	867,840	879,555	11,715
Earnings on investments	1,676	1,676	1,699	23
Classroom materials and fees	105,033	105,033	106,451	1,418
Rental income	7,457	7,457	7,558	101
Other local revenues	54,720	54,720	55,459	739
Intergovernmental - state	7,351,796	7,351,796	7,451,038	99,242
Total revenues	<u>15,749,016</u>	<u>15,749,016</u>	<u>15,961,613</u>	<u>212,597</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,684,367	7,667,113	7,543,351	123,762
Special.	1,650,843	1,648,413	1,575,729	72,684
Vocational.	66,673	66,310	86,804	(20,494)
Other.	111,909	111,300	67,397	43,903
Support services:				
Pupil.	1,262,062	1,263,139	1,290,890	(27,751)
Instructional staff	511,589	517,157	505,821	11,336
Board of education	111,141	117,180	140,864	(23,684)
Administration.	1,578,648	1,571,219	1,596,782	(25,563)
Fiscal	784,550	780,280	704,587	75,693
Business	9,049	9,000	8,319	681
Operations and maintenance.	1,664,522	1,698,710	1,592,401	106,309
Pupil transportation	1,021,945	1,016,383	1,079,496	(63,113)
Extracurricular activities.	257,925	256,828	265,506	(8,678)
Total expenditures	<u>16,715,223</u>	<u>16,723,032</u>	<u>16,457,947</u>	<u>265,085</u>
Excess of expenditures over revenues.	<u>(966,207)</u>	<u>(974,016)</u>	<u>(496,334)</u>	<u>477,682</u>
Other financing (uses):				
Refund of prior year's expenditures	984	984	997	13
Total other financing (uses)	<u>984</u>	<u>984</u>	<u>997</u>	<u>13</u>
Net change in fund balance	(965,223)	(973,032)	(495,337)	477,695
Fund balance at beginning of year	1,586,272	1,586,272	1,586,272	-
Prior year encumbrances appropriated	86,044	86,044	86,044	-
Fund balance at end of year	<u>\$ 707,093</u>	<u>\$ 699,284</u>	<u>\$ 1,176,979</u>	<u>\$ 477,695</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 636,310
Total assets.	<u>636,310</u>
Liabilities:	
Claims payable	<u>314,915</u>
Total liabilities	<u>314,915</u>
Net assets:	
Unrestricted.	<u>321,395</u>
Total net assets	<u><u>\$ 321,395</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, 2012

	Governmental Activities - Internal Service Fund
Operating revenues:	
Sales/charges for services	\$ 2,223,542
Total operating revenues	<u>2,223,542</u>
 Operating expenses:	
Purchased services	373,582
Claims	<u>2,130,576</u>
Total operating expenses	<u>2,504,158</u>
 Operating loss	<u>(280,616)</u>
 Change in net assets	(280,616)
 Net assets at beginning of year	<u>602,011</u>
 Net assets at end of year	<u>\$ 321,395</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, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 2,223,542
Cash payments for purchased services.	(373,582)
Cash payments for claims	<u>(1,924,814)</u>
Net cash used by operating activities	<u>(74,854)</u>
Net decrease in cash and cash equivalents	(74,854)
Cash and cash equivalents at beginning of year	<u>711,164</u>
Cash and cash equivalents at end of year	<u><u>\$ 636,310</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (280,616)
Changes in assets and liabilities:	
Increase in claims payable	<u>205,762</u>
Net cash used by operating activities.	<u><u>\$ (74,854)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 50,457
Receivables:	
Accounts	<u>256</u>
Total assets.	<u>\$ 50,713</u>
Liabilities:	
Accounts payable.	\$ 514
Due to students.	<u>50,199</u>
Total liabilities	<u>\$ 50,713</u>

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, 2012**

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.

It is staffed by 79 non-certified employees and 162 certified full-time teaching and administrative personnel who provide services to 2,298 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 and proprietary fund 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, 2012**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Tolles Career 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 South, 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-Schuett, 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:

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

Permanent improvement fund - The permanent improvement capital projects fund accounts for levy collections used for the acquisition, construction, or improvement of capital facilities.

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, 2012**

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

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

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

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

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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 2012 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 2012.
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 2012.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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 2012, 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 2012. 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, 2012.

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 2012 amounted to \$1,679 including \$1,138 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.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

I. Interfund Balances

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

J. Compensated Absences

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. 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, 2012, 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, 2012 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.

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, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 amounts restricted for food service operations.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2012.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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. 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.

Q. 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 2012.

R. 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.

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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 681
Education jobs	9,956
Race to the top	47
IDEA Part-B	4,395
Stimulus Title II-D	6
Title I - disadvantaged children	929
Improving teacher quality	4,643
Building	23,280

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
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012

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, 2012, the carrying amount of all District deposits was \$1,440,202. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$241,364 of the District’s bank balance of \$1,433,870 was exposed to custodial risk as discussed below, while \$1,192,506 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, 2012, 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>\$ 4,387,652</u>	<u>\$ 4,387,652</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
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND 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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 4,387,652	100.00

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, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,440,202
Investments	<u>4,387,652</u>
Total	<u>\$ 5,827,854</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,777,397
Agency fund	<u>50,457</u>
Total	<u>\$ 5,827,854</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Amounts due to and from other funds at June 30, 2012 as reported on the fund statements, consist of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 170,561</u>

The primary purpose of the amounts due to and from other funds 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.

Amounts due to and from other funds 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, 2012

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Interfund balances at June 30, 2012 as reported on the fund statements consist of the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<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, 2012, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental fund	\$ 235
<u>Transfer from the bond retirement fund to:</u>	
Permanent improvement fund	800,000
<u>Transfer from the classroom facilities fund to:</u>	
Nonmajor governmental fund	1,408,746
<u>Transfer from nonmajor governmental fund to:</u>	
Classroom facilities fund	<u>47,121</u>
Total	<u>\$ 2,256,102</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.

The transfer from the bond retirement fund to the permanent improvement fund was to cover construction costs associated with junior high school. The transfer represents monies in the bond retirement fund that the Madison County Budget Commission concurs will not be required to meet the obligations of the bond retirement fund. The transfer from the classroom facilities fund to the building fund (a nonmajor governmental fund) was to transfer the local share of the costs for the construction. The transfer represents the local share of the costs for Phase II of the construction of the Canaan Middle School and the Plain City Elementary School.

Interfund transfers 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, 2012**

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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$1,627,727 in the general fund, \$480,480 in the bond retirement fund and \$98,389 in the permanent improvement fund. This amount is recorded as revenue. The amount available for 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. 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, 2012 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 282,379,450	97.51	\$ 298,224,540	97.55
Public utility personal	7,046,130	2.43	7,483,760	2.45
Tangible personal property	<u>178,710</u>	<u>0.06</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 289,604,290</u>	<u>100.00</u>	<u>\$ 305,708,300</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$37.60		\$37.60	

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. In May 2011, the voters renewed the .75 percent income tax for another 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 2012 totaled \$2,047,742 and is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2012, 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	\$ 7,246,204
Income taxes	840,888
Accounts	1,658
Accrued interest	423
Intergovernmental	<u>366,049</u>
Total	<u>\$ 8,455,222</u>

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 741,758	\$ -	\$ -	\$ 741,758
Construction in progress	<u>7,928,368</u>	<u>6,977,952</u>	<u>-</u>	<u>14,906,320</u>
Total capital assets, not being depreciated	<u>8,670,126</u>	<u>6,977,952</u>	<u>-</u>	<u>15,648,078</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,261,859	-	-	3,261,859
Buildings and improvements	47,692,370	-	-	47,692,370
Furniture and equipment	1,108,243	-	-	1,108,243
Vehicles	<u>1,733,365</u>	<u>75,910</u>	<u>(62,250)</u>	<u>1,747,025</u>
Total capital assets, being depreciated	<u>53,795,837</u>	<u>75,910</u>	<u>(62,250)</u>	<u>53,809,497</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,407,124)	(144,357)	-	(1,551,481)
Buildings and improvements	(14,763,369)	(1,096,983)	-	(15,860,352)
Furniture and equipment	(556,085)	(56,248)	-	(612,333)
Vehicles	<u>(1,176,938)</u>	<u>(127,627)</u>	<u>62,250</u>	<u>(1,242,315)</u>
Total accumulated depreciation	<u>(17,903,516)</u>	<u>(1,425,215)</u>	<u>62,250</u>	<u>(19,266,481)</u>
Governmental activities capital assets, net	<u>\$ 44,562,447</u>	<u>\$ 5,628,647</u>	<u>\$ -</u>	<u>\$ 50,191,094</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 712,578

Support Services:

Administration 26,405
 Operations and maintenance 223,843
 Pupil transportation 129,154
 Extracurricular activities 102,578
 Food service operations 230,657
 Total depreciation expense \$ 1,425,215

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2012, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2011	Additions	Reductions	Balance Outstanding June 30, 2012	Amounts Due in One Year
Governmental activities:					
<u>General Obligation Bonds:</u>					
Series 2002 school improvement	\$ 3,265,000	\$ -	\$ (775,000)	\$ 2,490,000	\$ 840,000
Series 2006 refunding	9,150,630	36,960	(30,000)	9,157,590	35,000
Series 2007 refunding	9,423,937	25,631	(25,000)	9,424,568	25,000
Total general obligation bonds	<u>21,839,567</u>	<u>62,591</u>	<u>(830,000)</u>	<u>21,072,158</u>	<u>900,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated absences	973,573	162,289	(259,212)	876,650	68,477
Total other long-term liabilities	<u>973,573</u>	<u>162,289</u>	<u>(259,212)</u>	<u>876,650</u>	<u>68,477</u>
Total	<u>\$ 22,813,140</u>	<u>\$ 224,880</u>	<u>\$ (1,089,212)</u>	21,948,808	<u>\$ 968,477</u>
Less: deferred charge on refunding				(792,405)	
Add: unamortized premium				<u>910,462</u>	
Total long-term liabilities				<u>\$ 22,066,865</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 School Improvement 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 bond retirement 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
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2012 on the Series 2002 school improvement general obligation bonds:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Current interest bonds - Series 2002	\$ 3,265,000	\$ -	\$ (775,000)	\$ 2,490,000
Total G.O. bonds	<u>\$ 3,265,000</u>	<u>\$ -</u>	<u>\$ (775,000)</u>	<u>\$ 2,490,000</u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Series 2002 Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 840,000	\$ 528,889	\$ 1,368,889
2014	870,000	495,125	1,365,125
2015	<u>780,000</u>	<u>462,365</u>	<u>1,242,365</u>
Total	<u>\$ 2,490,000</u>	<u>\$ 1,486,379</u>	<u>\$ 3,976,379</u>

- C. *Series 2006 Refunding 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 School Improvement 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 balance of the refunded bonds was \$14,840,000 at June 30, 2012.

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 \$117,593 has been included as long-term liabilities on the statement of net assets at June 30, 2012.

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.

Payments of principal and interest relating to the Series 2006 refunding bonds are recorded as expenditures in the bond retirement fund. 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, 2012

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2012 on the Series 2006 refunding general obligation bonds:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>
Current interest bonds -				
Series 2006	\$ 9,040,000	\$ -	\$ (30,000)	\$ 9,010,000
Capital appreciation bonds -				
Series 2006	29,997	-	-	29,997
Capital appreciation bonds -				
Accreted interest	<u>80,633</u>	<u>36,960</u>	<u>-</u>	<u>117,593</u>
Total G.O. bonds	<u>\$ 9,150,630</u>	<u>\$ 36,960</u>	<u>\$ (30,000)</u>	<u>\$ 9,157,590</u>

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

Fiscal <u>Year Ended</u>	<u>Series 2006 Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	384,313	384,313	29,997	510,003	540,000
2018 - 2022	100,000	1,910,937	2,010,937	-	-	-
2023 - 2027	2,725,000	1,778,445	4,503,445	-	-	-
2028 - 2031	<u>6,040,000</u>	<u>542,938</u>	<u>6,582,938</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,010,000</u>	<u>\$ 6,165,782</u>	<u>\$ 15,175,782</u>	<u>\$ 29,997</u>	<u>\$ 510,003</u>	<u>\$ 540,000</u>

- D. *Series 2007 Refunding 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 balance of the refunded bonds was \$9,450,000 at June 30, 2012.

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 \$74,572 has been included as long-term liabilities on the statement of net assets at June 30, 2012.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

Payments of principal and interest relating to the Series 2007 refunding bonds are recorded as expenditures in the bond retirement fund. 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 2012 on the Series 2007 refunding general obligation bonds:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Current interest bonds -				
Series 2007	\$ 9,350,000	\$ -	\$ (25,000)	\$ 9,325,000
Capital appreciation bonds -				
Series 2007	24,996	-	-	24,996
Capital appreciation bonds -				
Accreted interest	<u>48,941</u>	<u>25,631</u>	<u>-</u>	<u>74,572</u>
Total G.O. bonds	<u>\$ 9,423,937</u>	<u>\$ 25,631</u>	<u>\$ (25,000)</u>	<u>\$ 9,424,568</u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Series 2007 Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	358,713	358,713	24,996	355,004	380,000
2018 - 2022	4,930,000	1,262,638	6,192,638	-	-	-
2023 - 2025	<u>3,475,000</u>	<u>225,565</u>	<u>3,700,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,325,000</u>	<u>\$ 3,408,068</u>	<u>\$ 12,733,068</u>	<u>\$ 24,996</u>	<u>\$ 355,004</u>	<u>\$ 380,000</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012, are a voted debt margin of \$8,038,986 (including available funds of \$1,405,232) and an unvoted debt margin of \$305,708.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

During fiscal year 2012, 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)	\$78,557,626
Boiler and Machinery (\$1,000 deductible)	78,557,626
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
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

For fiscal year 2012, the District offered health and dental insurance to employees through a self-insurance program. Activity related to the self-insurance program is recorded in an internal service fund.. The District maintains 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 \$314,915 reported in the internal service fund at June 30, 2012, 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>
2012	\$ 109,153	\$ 2,130,576	\$ (1,924,814)	\$ 314,915
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, under "*Employers/Audit Resources*".

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - PENSION PLANS - (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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$302,015, \$276,746 and \$280,201, respectively; 63.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 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.

Funding Policy - For fiscal year 2012, 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.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,136,185, \$1,132,415 and \$1,015,252, respectively; 85.29 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$81,925 made by the District and \$58,518 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, 2012, 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income and the 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, under "Employers/Audit Resources".

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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, 2012, 2011 and 2010 were \$45,160, \$66,906 and \$52,009, respectively; 63.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$17,836, \$17,809 and \$16,663, respectively; 63.60 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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, 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 2012, 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, 2012, 2011 and 2010 were \$87,399, \$87,109 and \$80,866, respectively; 85.29 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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);

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (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	\$ (495,337)
Net adjustment for revenue accruals	355,826
Net adjustment for expenditure accruals	254,608
Net adjustment for other financing sources/uses	(997)
Funds budgeted elsewhere	(11,752)
Adjustment for encumbrances	40,989
GAAP basis	\$ 143,337

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.

NOTE 15 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	373,188
Current year offsets	<u>(373,188)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 17 - CONTRACTUAL COMMITMENTS

The District had the following contractual commitments outstanding at June 30, 2012, related to their OSFC construction project.

<u>Scope of Work</u>	<u>Contractor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Contract</u>
CMS Electric	Beacon Electric	\$ 408,070	\$ 401,284	\$ 6,786
CMS General Trades	Central Ohio Building	4,385,700	4,223,555	162,145
CMS Asphalt turn lane	Central Ohio Building	16,689	-	16,689
PCES Electric	Claypool Electric	1,246,890	1,195,338	51,552
JH Electric	Claypool Electric	691,000	61,698	629,302
Switch Gear	Edison Equipment	22,240	18,144	4,096
JH Painting	G. Whitley Painting	18,340	9,260	9,080
JH Mechanical & Plumbing	General Temperature Control	880,000	30,209	849,791
JH General Trades	Good Home Maintenance	411,083	393,260	17,823
MES Roof Consultant	Mays Consulting & Evaluation	25,000	5,550	19,450
PCES	Melink	22,064	3,791	18,273
CMS	Melink	17,176	-	17,176
JH Computer Wiring	Microman	54,449	-	54,449
Storage Container	Mobile Mini	2,184	778	1,406
Construction Manager	Quandel Construction Group	781,987	508,032	273,955
PCES Site Work	Seals Construction	929,195	928,967	228
CMS Site Work	Seals Construction	802,120	784,075	18,045
P.C.Commissioning Services	Stan Engineering	39,892	30,806	9,086
CMS Commissioning Services	Stan Engineering	29,880	19,837	10,043
PCES Architectual Services	Steed Hammond Paul	534,052	519,164	14,888
JH Architectual Services	Steed Hammond Paul	176,161	127,577	48,584
PCES General Trades	Thomas & Marker	5,056,900	4,953,468	103,432
Asbestos Abatement	Total Environmental Services	16,765	13,320	3,445
		<u>\$ 16,567,837</u>	<u>\$ 14,228,113</u>	<u>\$ 2,339,724</u>

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 Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 37,264
Permanent improvement fund	23,906
Classroom facilities fund	405,152
Nonmajor governmental funds	<u>2,062,340</u>
Total	<u>\$ 2,528,662</u>

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 67,604	\$ 67,604
Cash Assistance			
School Breakfast Program	10.553	52,440	52,440
National School Lunch Program	10.555	228,939	228,939
Total U.S. Department of Agriculture		348,983	348,983
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	175,556	192,383
ARRA - Title I Grants to Local Educational Agencies	84.389	14,022	6,046
Total Title I Cluster		189,578	198,429
Special Education Cluster:			
Special Education Grants to States	84.027	351,608	380,537
ARRA - Special Education Grants to States	84.391	1,786	8,938
Special Education Preschool Grant	84.173	9,157	9,157
Total Special Education Cluster		362,551	398,632
Educational Technology State Grants	84.318	-	1,645
Improving Teacher Quality State Grants	84.367	55,754	66,732
ARRA - Race to the Top	84.395	11,767	26,691
Education Jobs Fund	84.410	288,687	351,480
Total U.S. Department of Education		908,337	1,043,609
Total		\$ 1,257,320	\$ 1,392,592

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, 2012**

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 8, 2013. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-01 and 2012-02 described in the accompanying schedule of findings to be material weaknesses.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 8, 2013.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

January 8, 2013



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 the District's major federal programs for the year ended June 30, 2012. 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 could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

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 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

January 8, 2013

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster – CFDA #84.010, CFDA #84.389 Education Jobs Fund – CFDA #84.410
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-01

Material Weakness

Sound financial reporting is the responsibility of the Treasurer's Office and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-01 (Continued)

Material Weakness (Continued)

The following audit adjustments were made to the financial statements at June 30, 2012 and, where applicable, to the District's accounting records.

1. An adjustment of \$167,603 to properly record contracts payable on the Balance Sheet and the Statement of Net Assets and to report construction in progress capital assets on the Statement on Net Assets.
2. An adjustment of \$1,131,584 to reduce grants & entitlements and to remove a special item that was originally reported on the Statement of Activities due to an error in the calculation of the District's remaining receivable from the Ohio School Facilities Commission grant for the District's Classroom Facilities building project.
3. An adjustment in the amount of \$1,072,440 to reduce intergovernmental receipts and facilities acquisition and construction expenditures in the Classroom Facilities Fund for "on-behalf" payments made directly to the District's construction manager that were double accounted for.
4. An adjustment of \$242,535 to increase intergovernmental receipts, \$201,462 to increase facilities acquisition and construction expenditures and \$41,073 to increase cash and cash equivalents in the Classroom Facilities Fund for "on-behalf" payments made directly to the District's construction manager prior to June 30, 2012 that were recorded by the District subsequent to June 30, 2012.
5. An adjustment in the amount of \$129,618 to properly report receipts for self-insurance premiums in the Internal Service fund that was incorrectly posted to the District's Agency fund.

The adjustments identified during the audit should be reviewed by the Treasurer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the District should adopt policies and procedures, including a final review of the financial statements and note disclosures by the Treasurer and the Board of Education to identify and correct errors and omissions.

Officials' Response:

The District is aware of and has made the necessary corrections for the previously mentioned items. Our District will work diligently to ensure that these errors do not occur in the future.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-02

Noncompliance/Material Weakness

Ohio Revised Code § 5705.10(C) states that all revenue that is derived from a special levy is to be credited to a special fund for the purpose for which the levy is made.

The District incorrectly posted property tax levy receipts to the Permanent Improvement fund that should have been posted to the Bond Retirement fund. This resulted in an adjustment of \$84,463 from the Permanent Improvement Fund to the Bond Retirement Fund. The District's Treasurer made the adjustment to the District's accounting records and the adjustment is reflected in the accompanying financial statements.

Failure to post receipts to correct funds based on millage allocations provided by the County Auditor's Office results in inaccurate fund balances being reported in the District's accounting records and could result in the monies being used for purposes other than the levy allows.

The Treasurer should be diligent in assuring funds are properly posted to the correct funds in accordance with the County tax settlement information and the Ohio Revised Code.

Officials' Response:

The District is aware of and has made the necessary corrections for the previously mentioned items. Our District will work diligently to ensure that these errors do not occur in the future.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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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 (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

January 8, 2013

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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
FEBRUARY 26, 2013**