

# **Madison Plains Local School District**

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*Basic Financial Statements*

***June 30, 2011***





# Dave Yost • Auditor of State

Board of Education  
Madison Plains Local School District  
55 Linson Road SW  
London, Ohio 43140

We have reviewed the *Independent Auditor's Report* of the Madison Plains Local School District, Madison County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Madison Plains Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

February 8, 2012



## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Madison-Plains Local School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Madison-Plains Local School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable 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.

As described in Note 2 to the financial statements, during the year ended June 30, 2011, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*".

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting 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 assurance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 20, 2011

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
(Unaudited)

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The discussion and analysis of the Madison Plains Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key Financial Highlights for 2011 are as follows:

- ❑ General Revenues accounted for \$13.6 million in revenue or 83% of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants, contributions and interest accounted for approximately \$2.8 million or 17% of the \$16.4 million total revenue.
- ❑ Total program expenses were \$15.3 million in Governmental Activities.
- ❑ In total, net assets of Governmental Activities increased \$1,099,200 from fiscal year 2010.
- ❑ The School District issued Certificates of Participation (lease purchase) for improvements in the amount of \$2,100,000. These funds were used as part of the costs associated with current year construction of modular classrooms.

**Using this Annual Report**

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 School 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Madison Plains Local School District, the general fund and the building improvement fund are by far the most significant funds.

***Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* excluding fiduciary funds using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, food service operation, extracurricular activities and interest and fiscal charges.

The government-wide financial statements begin on page 12.

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

*Fund Financial Statements*

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and building improvement fund.

**Governmental Funds** - Most of the School 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for fiscal year 2011 compared to fiscal year 2010:

**Table 1**  
**Net Assets**

	Government Activities	
	2011	Restated 2010
Current and other assets	\$17,066,774	\$17,902,322
Capital assets, net	6,242,310	3,554,082
Total assets	23,309,084	21,456,404
Other liabilities	8,485,002	7,763,931
Long-term liabilities	938,280	905,871
Total liabilities	9,423,282	8,669,802
Invested in capital assets, net of related debt	4,142,310	3,554,082
Restricted	1,362,568	2,022,121
Unrestricted	8,380,924	7,210,399
Total liabilities	\$ 13,885,802	\$ 12,786,602

Total net assets increased by \$1,099,200. Total assets increased \$1,852,680, which was primarily the result of an increase in building improvements. Total liabilities increased \$753,480, which was mainly attributable to less deferred tax revenue offset by an increase in the issuance of a Certificate of Participation.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2011  
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2011 compared to fiscal year 2010. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities	
	2011	Restated 2010*
<b>Revenues</b>		
Program Revenues:		
Charges for Services and Sales	\$ 1,432,166	\$ 1,464,094
Operating Grants, Contributions and Interest	1,323,917	1,063,050
Capital Grants	6,074	54,745
General Revenues:		
Property Taxes	6,535,415	7,029,412
Grants and Entitlements	6,725,791	6,975,116
Payment in Lieu of Taxes	19,519	10,574
Miscellaneous and Investment Earnings	343,937	126,889
Total Revenues	<u>16,386,819</u>	<u>16,723,880</u>
<b>Program Expenses:</b>		
Instruction	8,254,602	8,608,250
Support Services:		
Pupils	582,999	420,498
Instructional Staff	576,122	585,002
Board of Education	55,921	64,329
Administration	1,301,950	1,429,883
Fiscal Services	601,797	579,234
Business	943	3,109
Operation and Maintenance of Plant	1,136,994	938,777
Pupil Transportation	1,065,881	975,839
Central	446,400	164,664
Operation of Food Service	658,977	673,245
Extracurricular Activities	555,197	495,829
Interest and Fiscal Charges	49,836	9,265
Total Expenses	<u>15,287,619</u>	<u>14,947,924</u>
Change in Net Assets	<u>\$ 1,099,200</u>	<u>\$ 1,775,956</u>

\*Excludes the activities of funds reported in the special revenue fund with the implementation of GASB 54 (See Note 19). Amount was not significant and would not impact the analysis.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

Overall revenue decreased \$337,061 over fiscal year 2010, primarily from decreased tax revenue. Program expenses increased from \$14.9 million in fiscal year 2010 to \$15.3 million in fiscal year 2011. The increase in total program expenses reflects increases in salaries, fringe benefits (health insurance and retirement), extracurricular activities and other expenses.

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$13,624,662, or 83% of total revenue, with the most significant portion of the general revenue being grants and entitlements. The remaining amount of revenue received was in the form of program revenue which equaled \$2,762,157 or 17% of total revenue.

Instructional expenses comprise 54% of governmental program expenses. Additional supporting services, including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 38%. The remaining 8% of program expenses is used for other obligations of the School District such as extracurricular activities.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. All governmental activity had total revenues of \$16.4 million and expenses of \$15.3 million.

**Table 3**  
**Governmental Activities**

	2011		2010*	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 8,254,602	\$ 6,626,511	\$ 8,608,250	\$ 7,191,848
Support Services:				
Pupils and Instructional Staff	1,159,121	871,262	1,005,500	930,219
Board of Education/Administration/ Fiscal and Business	1,960,611	1,960,611	2,076,555	1,930,685
Operation and Maintenance of Plant	1,136,994	1,130,920	938,777	884,032
Pupil Transportation and Central	1,512,281	1,492,360	1,140,503	1,113,315
Food Service	658,977	8,432	673,245	25,856
Extracurricular Activities	555,197	385,530	495,829	280,815
Interest Charges	49,836	49,836	9,265	9,265
	<u>\$15,287,619</u>	<u>\$12,525,462</u>	<u>\$14,947,924</u>	<u>\$12,366,035</u>

\*Excludes the activities of funds reported in the special revenue fund with the implementation of GASB 54 (See Note 19). Amount was not significant and would not impact the analysis.

Instruction, pupils and instructional staff comprise 62% of governmental program expenses. Pupil transportation and the operation and maintenance of plant account for 14% of governmental program expenses.

The dependence upon tax revenues, grants, and entitlements for governmental activities is apparent. The community, as a whole, is by far the primary support for Madison Plains Local School District students.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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***The School District's Funds***

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of approximately \$17.2 million and expenditures and other financing uses of approximately \$19.0 million in fiscal year 2011. The building improvement fund was deemed a major fund in 2011, with a fund balance of (\$2,100,000). The general fund balance increased \$844,974; no individually significant event caused this increase.

***General Fund Budgeting Highlights***

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2011, there were minor changes to the School District's total general fund budget. The School District uses site-based budgeting and a budgeting system which is designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue and other financing sources was \$12.9 million, which is under the original budget estimate of \$13.8 million. Final appropriations and other financing uses of \$13.4 million were over the original appropriations of \$12.8 million; there were no individually significant events that caused this variance.

Total actual revenues, including other financing sources were \$13.3 million. This is \$454,517 higher than the final budget due to taxes and intergovernmental revenue being conservatively budgeted for during the year. Total actual expenditures, including other financing uses, on the budget basis (cash outlays plus transfers out) were \$13.1 million, \$271,253 less than the final budgeted expenditures and other financing uses. There were no individual significant events that caused this variance. The School District's unencumbered fund balance at the end of the year was \$9,397,103.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2011, the School District had \$6.2 million invested in land, construction in progress, land improvements, building improvements, furniture and fixtures, vehicles, and textbooks (fully depreciated). Table 4 shows fiscal year 2011 balances compared with 2010 net of depreciation.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

**Table 4**  
**Capital Assets (Net of Depreciation)**

	2011	Restated 2010
Land	\$ 202,377	\$ 202,377
Construction in Progress	2,876,960	34,655
Land Improvements	781,207	839,308
Building and Improvements	1,557,551	1,638,533
Furniture and Fixtures	210,404	103,796
Vehicles	613,811	735,413
Total	\$ 6,242,310	\$ 3,554,082

The \$2,688,228 increase in capital assets can be attributed, primarily to additions; approximately \$2.8 million is in construction in progress for the building of modular units, exceeding depreciation expenses and disposals. See Note 8 to the basic financial statements for detail on the School District's capital assets.

Ohio law requires school districts to set aside 3% of certain revenues for capital improvements and an additional 3% for textbooks. For fiscal year 2011, this amounted to \$206,435 for each set aside. See Note 18 for additional information.

**Debt**

At June 30, 2011, the School District had \$165,000 in bonds outstanding with \$25,000 due within one year. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt, at June 30**

	Governmental Activities	
	2011	2010
HB 264 Energy Conversation	\$ 165,000	\$ 190,000

HB 264 Energy Conservation Bonds were issued to reduce energy consumption in buildings owned by the School District.

See Note 13 to the basic financial statements for detail on the School District's long-term obligations.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*(Unaudited)*

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***Current Issues***

The School District has a good financial position. The Board of Education and administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Improvement plan. The administration continues to carefully plan its expenditures to provide adequate resources to meet student needs over the next several years.

The School District is in the final year of a three year negotiated agreement with the Madison Plains Education Association and the Ohio Association of Public School Employees. Negotiations will begin again in the spring of 2012.

The School District failed to pass a bond issue in 2010 to build a new K-12 facility through the Ohio School Facilities Commission (OSFC) Exceptional Needs Program. OSFC would have paid for 36% of the project cost. The district moved ahead in fiscal year 2011 and secured a \$2.1 million Certificate of Participation Note to finance the construction of a modular elementary to house all elementary students and a Junior High modular facility to house the 7<sup>th</sup> and 8<sup>th</sup> grades. Both new facilities have been constructed on the Linson Road central site.

***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, at Madison Plains Local School District, 55 Linson Road SW, London, Ohio 43140.

*Basic Financial Statements*

**Madison Plains Local School District**

*Statement of Net Assets*

*June 30, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 10,439,115
Receivables:	
Accounts	7,534
Taxes	6,244,098
Intergovernmental	376,027
Nondepreciable Capital Assets	3,079,337
Depreciable Capital Assets (Net)	3,162,973
<i>Total Assets</i>	<u>23,309,084</u>
<b>Liabilities</b>	
Accounts Payable	59,025
Contracts Payable	64,425
Accrued Wages and Benefits	1,147,824
Intergovernmental Payable	396,320
Accrued Vacation Leave Payable	23,025
Accrued Interest Payable	27,461
Deferred Revenue	4,666,922
Certificate of Participation Payable	2,100,000
Long -Term Liabilities:	
Due Within One Year	98,179
Due in More Than One Year	840,101
<i>Total Liabilities</i>	<u>9,423,282</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,142,310
Restricted for:	
Debt	2,060
Capital Projects	632,858
Other Purposes	444,399
Set Asides	283,251
Unrestricted	8,380,924
<i>Total Net Assets</i>	<u>\$ 13,885,802</u>

See accompanying notes to the basic financial statements.



**Madison Plains Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 6,892,826	\$ 862,006	\$ 727,665	\$ 0	\$ (5,303,155)
Special	908,812	38,420	0	0	(870,392)
Vocational	452,964	0	0	0	(452,964)
Support Services:					
Pupils	582,999	0	0	0	(582,999)
Instructional Staff	576,122	24,993	262,866	0	(288,263)
Board of Education	55,921	0	0	0	(55,921)
Administration	1,301,950	0	0	0	(1,301,950)
Fiscal	601,797	0	0	0	(601,797)
Business	943	0	0	0	(943)
Operation and Maintenance of Plant	1,136,994	0	0	6,074	(1,130,920)
Pupil Transportation	1,065,881	3,546	0	0	(1,062,335)
Central	446,400	0	16,375	0	(430,025)
Food Service Operations	658,977	347,230	303,315	0	(8,432)
Extracurricular Activities	555,197	155,971	13,696	0	(385,530)
Interest and Fiscal Charges	49,836	0	0	0	(49,836)
<i>Total Governmental Activities</i>	<u>\$ 15,287,619</u>	<u>\$ 1,432,166</u>	<u>\$ 1,323,917</u>	<u>\$ 6,074</u>	<u>(12,525,462)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					6,246,104
Capital Projects					289,311
Grants and Entitlements not Restricted to Specific Programs					6,725,791
Investment Earnings					48,317
Payments in Lieu of Taxes					19,519
Miscellaneous					295,620
<i>Total General Revenues</i>					<u>13,624,662</u>
<i>Change in Net Assets</i>					1,099,200
<i>Net Assets Beginning of Year (Restated, See Note 19)</i>					12,786,602
<i>Net Assets End of Year</i>					<u>\$ 13,885,802</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2011*

	<u>General</u>	<u>Building Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 9,296,214	\$ 0	\$ 838,831	\$ 10,135,045
Restricted Pooled Cash and Investments	283,251	0	0	283,251
Receivables:				
Accounts	6,033	0	0	6,033
Taxes	5,891,847	0	352,251	6,244,098
Interfund	49,251	0	0	49,251
Intergovernmental	14,944	0	361,083	376,027
<i>Total Assets</i>	<u>\$ 15,541,540</u>	<u>\$ 0</u>	<u>\$ 1,552,165</u>	<u>\$ 17,093,705</u>
<b>Liabilities</b>				
Accounts Payable	\$ 31,630	\$ 0	\$ 27,395	\$ 59,025
Contracts Payable	0	0	64,425	64,425
Accrued Wages and Benefits	1,047,409	0	100,415	1,147,824
Interfund Payable	0	0	49,251	49,251
Intergovernmental Payable	327,047	0	69,273	396,320
Certificate of Participation Payable	0	2,100,000	0	2,100,000
Deferred Revenue	4,728,379	0	588,590	5,316,969
<i>Total Liabilities</i>	<u>6,134,465</u>	<u>2,100,000</u>	<u>899,349</u>	<u>9,133,814</u>
<b>Fund Balances</b>				
Restricted	283,251	0	748,500	1,031,751
Committed	970	0	0	970
Assigned	164,054	0	0	164,054
Unassigned	8,958,800	(2,100,000)	(95,684)	6,763,116
<i>Total Fund Balances</i>	<u>9,407,075</u>	<u>(2,100,000)</u>	<u>652,816</u>	<u>7,959,891</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 15,541,540</u>	<u>\$ 0</u>	<u>\$ 1,552,165</u>	<u>\$ 17,093,705</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2011*

<b>Total Governmental Fund Balances</b>		\$ 7,959,891
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		6,242,310
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 324,444	
SERS Reimbursement	10,629	
Delinquent Property Taxes	314,974	650,047
Long-term liabilities, including bonds are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds		(165,000)
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Compensated Absences	(759,280)	
Early Retirement Incentive	(14,000)	
Interest Payable	(27,461)	
Vacation Leave Payable	(23,025)	(823,766)
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.		22,320
<b>Net Assets of Governmental Activities</b>		<b>\$ 13,885,802</b>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	<u>General</u>	<u>Building Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 6,277,924	\$ 0	\$ 289,121	\$ 6,567,045
Intergovernmental	6,231,520	0	1,555,991	7,787,511
Investment Income	48,317	0	6,320	54,637
Tuition and Fees	911,117	0	26,218	937,335
Rent	225	0	0	225
Extracurricular Activities	16,467	0	140,350	156,817
Charges for Services	0	0	351,412	351,412
Payments in Lieu of Taxes	19,519	0	0	19,519
Gifts and Donations	2,177	0	12,592	14,769
Miscellaneous	257,215	13,105	6,589	276,909
<i>Total Revenues</i>	<u>13,764,481</u>	<u>13,105</u>	<u>2,388,593</u>	<u>16,166,179</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,536,377	0	230,382	6,766,759
Special	731,373	0	165,699	897,072
Vocational	437,380	0	0	437,380
Support Services:				
Pupils	577,508	0	375	577,883
Instructional Staff	432,977	0	138,378	571,355
Board of Education	59,632	0	0	59,632
Administration	1,155,727	0	147,919	1,303,646
Fiscal	512,569	0	91,825	604,394
Business	943	0	0	943
Operation and Maintenance of Plant	799,226	0	123,443	922,669
Pupil Transportation	757,385	0	158,635	916,020
Central	396,325	0	49,846	446,171
Operation of Non-Instructional Services	8,427	0	0	8,427
Food Service Operations	0	0	637,016	637,016
Extracurricular Activities	351,287	0	163,623	514,910
Capital Outlay	11,750	3,113,105	83,432	3,208,287
Debt Service:				
Principal Retirement	25,000	0	0	25,000
Interest and Fiscal Charges	7,661	0	0	7,661
Certificate of Participation Issuance Costs	0	15,393	0	15,393
<i>Total Expenditures</i>	<u>12,801,547</u>	<u>3,128,498</u>	<u>1,990,573</u>	<u>17,920,618</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	962,934	(3,115,393)	398,020	(1,754,439)
<b>Other Financing Sources (Uses)</b>				
Premiums on Certificate of Participation	0	15,393	0	15,393
Transfers In	2,740	1,000,000	23,710	1,026,450
Transfers Out	(120,700)	0	(1,000,000)	(1,120,700)
<i>Total Other Financing Sources and (Uses)</i>	<u>(117,960)</u>	<u>1,015,393</u>	<u>(976,290)</u>	<u>(78,857)</u>
<i>Net Change in Fund Balance</i>	844,974	(2,100,000)	(578,270)	(1,833,296)
<i>Fund Balance at Beginning of Year</i>				
<i>Restated (See Note 19)</i>	8,562,101	0	1,231,086	9,793,187
<i>Fund Balance at End of Year</i>	<u>\$ 9,407,075</u>	<u>\$ (2,100,000)</u>	<u>\$ 652,816</u>	<u>\$ 7,959,891</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,833,296)

*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 additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 3,016,199	
Current Year Depreciation	<u>(325,599)</u>	2,690,600

Net effect of transactions involving the disposal of capital assets that are not reflected in the funds. (2,372)

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

Grants	245,961	
Excess Costs	(9,084)	
SERS Reimbursement	10,629	
Delinquent Property Taxes	<u>(31,630)</u>	215,876

Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal		25,000
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Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences	(71,409)	
Early Retirement Incentive	14,000	
Interest Payable	(26,782)	
Vacation Leave Payable	<u>9,360</u>	(74,831)

The 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. The net revenue (expense) of internal service funds is reported with governmental activities.

78,223

**Change in Net Assets of Governmental Activities** \$ 1,099,200

**Madison Plains Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
<b>Revenues:</b>				
Taxes	\$ 6,069,846	\$ 5,473,050	\$ 5,914,941	\$ 441,891
Intergovernmental	6,696,494	6,231,520	6,231,520	0
Investment Income	57,913	46,830	48,317	1,487
Tuition and Fees	872,257	850,229	850,229	0
Rent	14	225	225	0
Extracurricular	208	130	130	0
Payments In Lieu of Taxes	13,000	13,621	13,621	0
Gifts and Donations	36	600	600	0
Miscellaneous	26,637	26,016	27,156	1,140
<i>Total Revenues</i>	13,736,405	12,642,221	13,086,739	444,518
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,640,493	6,769,931	6,553,978	215,953
Special	556,577	595,145	714,160	(119,015)
Vocational	447,847	477,956	421,447	56,509
<b>Support Services:</b>				
Pupils	372,429	513,942	554,700	(40,758)
Instructional Staff	373,802	403,428	438,045	(34,617)
Board of Education	62,039	77,801	57,508	20,293
Administration	1,265,232	1,182,202	1,170,735	11,467
Fiscal	604,462	644,816	572,819	71,997
Business	7,008	6,750	943	5,807
Operation and Maintenance of Plant	976,063	914,087	833,681	80,406
Pupil Transportation	866,261	929,633	804,041	125,592
Central	221,569	299,586	426,715	(127,129)
Operation of Non-Instructional Services	0	700	8,427	(7,727)
Extracurricular Activities	274,116	279,585	349,497	(69,912)
Capital Outlay	122,100	122,000	29,665	92,335
<b>Debt Service</b>				
Principal Retirement	213	25,000	25,000	0
Interest & Fiscal Charges	65	9,500	7,661	1,839
<i>Total Expenditures</i>	12,790,276	13,252,062	12,969,022	283,040
Excess of Revenues Over (Under) Expenditures	946,129	(609,841)	117,717	727,558
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	2,701	1,623	11,622	9,999
Insurance Recoveries	410	6,809	6,809	0
Refund of Prior Year Expenditures	12,354	204,920	204,920	0
Transfers In	52,056	0	0	0
Advances Out	(3)	0	(350)	(350)
Transfers Out	(33,378)	(111,250)	(120,700)	(9,450)
Other Financing Uses	(17)	0	(1,987)	(1,987)
<i>Total Other Financing Sources (Uses)</i>	34,123	102,102	100,314	(1,788)
<i>Net Change in Fund Balance</i>	980,252	(507,739)	218,031	725,770
<i>Fund Balance at Beginning of Year</i>				
<i>Restated (See Note 19)</i>	9,053,390	9,053,390	9,053,390	0
Prior Year Encumbrances Appropriated	125,682	125,682	125,682	0
<i>Fund Balance at End of Year</i>	\$ 10,159,324	\$ 8,671,333	\$ 9,397,103	\$ 725,770

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

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	<b>Governmental Activities Internal Service Fund</b>
	<hr/>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 20,819
Accounts Receivable	1,501
<b>Total Assets</b>	<hr/> <b>22,320</b> <hr/>
<b>Net Assets</b>	
Unrestricted	<hr/> <b>\$ 22,320</b> <hr/>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<u><b>Governmental Activities Internal Service Fund</b></u>
<b>Operating Revenues</b>	
Other Revenue	\$ 34,992
<b>Operating Expenses</b>	
Purchased Services	<u>51,019</u>
<i>Operating Income (Loss) Before Transfer</i>	(16,027)
<b>Non-Operating Revenue:</b>	
Transfers In	<u>94,250</u>
<i>Change in Net Assets</i>	78,223
<i>Net Assets Beginning of Year</i>	<u>(55,903)</u>
<i>Net Assets End of Year</i>	<u><u>\$ 22,320</u></u>

See accompanying notes to the basic financial statements.



**Madison Plains Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

	<b>Governmental Activities Internal Service Fund</b>
<hr style="border-top: 3px double #000;"/>	
<b>Cash Flows From Operating Activities</b>	
Cash Received for Charges for Services	\$ 33,491
Cash Paid for Goods and Services	(106,922)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(73,431)</u>
 <b>Cash Flows From Non-Operating Activities</b>	
Transfer In	94,250
<i>Net Cash Provided By (Used For) Non-Operating Activities</i>	<u>94,250</u>
 <i>Net Increase (Decrease) in Cash and Investments</i>	20,819
 <i>Cash and Investments at Beginning of Year</i>	0
<i>Cash and Investments at End of Year</i>	<u><u>\$ 20,819</u></u>
 <b>Reconciliation of Operating Income (Loss) to Net Cash     Provided By (Used For) Operating Activities</b>	
Operating Income (Loss)	\$ (16,027)
Changes in Assets and Liabilities:	
(Increase) decrease in assets:	
Accounts Receivable	(1,501)
Increase (decrease) in liabilities:	
Interfund Payable	(55,903)
<i>Total Adjustments</i>	<u>(57,404)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u><u>\$ (73,431)</u></u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 36,703	\$ 154,435
<i>Total Assets</i>	\$ 36,703	\$ 154,435
<b>Liabilities</b>		
Due to Students	\$ 0	\$ 41,132
Undistributed Monies	0	113,303
<i>Total Liabilities</i>	\$ 0	\$ 154,435
<b>Net Assets</b>		
Held in Trust for Scholarships	36,703	
<i>Total Net Assets</i>	\$ 36,703	

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Fund*  
*For Fiscal Year Ended June 30, 2011*

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	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Donations	\$ 287,071
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>286,896</u>
<i>Change in Net Assets</i>	175
<i>Net Assets Beginning of Year, Restated (See Note 19)</i>	<u>36,528</u>
<i>Net Assets End of Year</i>	<u><u>\$ 36,703</u></u>

See accompanying notes to the basic financial statements.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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**Note 1 – Description of the School District**

Madison Plains Local School District (the “School District”) was formed in 1968, the result of a consolidation of the Plains District and the Madison South District. This new District covered 270 square miles. The newly appointed Board of Education, Isaiah Call, Donald Dorn, Donald Laird, Marion Moats, and C. B. Stoer, met for the first time on June 22, 1968.

In 1969 the School District operated six buildings: Madison Rural School, which housed kindergarten-fourth, seventh and eighth grades; Midway School with first, third, and fifth grades; South Solon School housed kindergarten, first, second, fourth, and sixth grades; Mt. Sterling School with kindergarten through sixth grades and grades nine through twelve; Fairfield School with students in grades kindergarten through eighth, and, lastly, the Madison South High School housed grades ten, eleven, and twelve. Beginning with the 1971-72 school year, all 10th, 11th, and 12th grade students of the School District began to attend the Madison South building.

In 1976, the School District was still operating six buildings, employed 105 certified and 69 noncertified employees with an operating budget of just over two million dollars a year. Property valuation was \$56 million dollars and the School District operated on 22 mills. Student enrollment was 2,013, seventy of whom attended the Tolles Career and Technical Center. In 1978, the South Solon Elementary School was closed and sold. That same year the Madison-Plains High School, housing ninth through twelfth grades, opened for instruction.

Currently, the School District operates five buildings -three elementary schools housing grades kindergarten through fifth; one middle school with grades six, seven, and eight; and one high school which houses grades nine through twelve.

The School District is a body political 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 School District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

The average daily membership (ADM) was 1,366. The School District employed 105 certified employees and 63 non-certificated employees. The School District is supervised by the Madison- Champaign Educational Service Center, a separate entity.

The School District provides regular, vocational and special instruction. The School District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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Reporting Entity

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

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Miami Valley Educational Computer Association, Tolles Career and Technical Center and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 9 and 16 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The basic financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District's accounting policies are shown below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School 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 School District's major governmental funds:

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

**Building Improvement Fund** This fund is used to account for the receipts and expenditures related to all special bonds funds in the School District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities included real property.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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**Proprietary Fund** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. The following is the School District's proprietary fund:

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee dental and vision care.

**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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities. The private purpose trust funds account for assets held by the School District in a trustee capacity.

**C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (revenues) and decreases (expenses) in total net assets.

**Fund Financial Statements** 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private Purpose Trust funds are reported using the economic resources measurement focus and are excluded from the Government-wide Financial Statements. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the food service fund as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within "operating grants and contributions" program revenue account.

Under the modified accrual basis, 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.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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***E. Cash and Cash Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each funds interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

During fiscal year 2011, investments were limited to STAROhio and commercial paper. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on June 30, 2011. The commercial paper is recorded at cost.

For presentation on the financial statements, investments of the cash management pool and investments with maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$48,317, which includes \$21,507 assigned from other School District funds.

***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include amounts required by statute to be set aside for the purchase of textbooks and capital improvements. See Note 18 for additional information regarding set-asides.

***G. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 School District maintains a capitalization threshold of \$3,000. The School District does not possess any infrastructure. 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.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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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:

Description	Estimated Lives
Land Improvements	10-20 Years
Buildings and Improvements	25-40 Years
Furniture and Fixtures	3-10 Years
Vehicles	3-10 Years
Textbooks	10-15 Years

***H. Compensated Absences***

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are eligible to receive termination benefits and those the School District had identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources.

***I. Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, claims and judgments and 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

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***J. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes are primarily for instruction of students.

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

***K. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

*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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education.

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*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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

***L. Interfund Activity***

Transfers between governmental activities on the government-wide statements are eliminated. 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 financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

***M. Extraordinary and Special Items***

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

***N. Estimates***

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

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***O. Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

***P. Implementation of New Accounting Policies***

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

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**Note 3 – Accountability**

**A. Accountability**

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

Building Improvements	\$2,100,000
<u>Nonmajor Governmental Funds:</u>	
Title VI-B	76,033
School District Fiscal Stabilization	12,464
Title I	3,339
Drug Free School	1,688
E-Rate	2,160

The deficits in these governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 4 – Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP)
5. Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund, some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Net Change in Fund Balance**

GAAP Basis	\$ 844,974
Net adjustments for revenue accruals	(376,111)
Net adjustments for expenditure accruals	(91,737)
Funds budgeted elsewhere**	(9,399)
Adjustments for encumbrances	<u>(149,696)</u>
Budget Basis	<u>\$ 218,031</u>

\*\*As part of Governmental Accounting Standards Board No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes certain special cost centers in the uniform school supplies, public school support and termination benefits funds.

**Note 5 – Deposits and Investments**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School 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.

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Interim monies to 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;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in item (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
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 25% 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.

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 School 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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.



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**Undeposited Cash** - At fiscal year-end, the District had \$150 in undeposited cash on hand which is included as part of “equity in pooled cash and investments.”

**Deposits** - At fiscal year-end, the carrying amount of the School District's deposits was \$6,800,219, and the bank balance was \$7,227,599. Of the bank balance:

1. \$500,000 of the bank balance was covered by depository insurance; and
2. \$6,727,599 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Investments** - Investments are reported at fair value. As of June 30, 2011, the School District had the following investments:

Rating by Standards and Poor's	Entity	Fair Value	Investment Maturity 0-1 Years	Percentage
AAAm	STAROhio	\$ 2,830,264	\$ 2,830,264	73.90%
Aaa	Silver Tower US FDG, LLC	999,620	999,620	26.10%
		<u>\$ 3,829,884</u>	<u>\$ 3,829,884</u>	<u>100.00%</u>

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s policy is to follow State statute which is to invest funds with the highest interest rate bid.

**Credit Risk:** The School District’s investment credit ratings are summarized above.

**Concentration of Credit Risk:** The School District investment policy is to be diversified to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issue or a specific class of securities. Strategies to achieve this are determined and revised periodically. All investments and deposits are collateralized pursuant to the Ohio Revised Code.

**Note 6 - Property Taxes**

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

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Property taxes include amounts levied annually on all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of the prior January 1, the lien date. Assessed values for real property taxes are established by State law at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Madison County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance current fiscal year operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30, 2011, was \$1,171,317 in the General Fund, \$90,885 in the Permanent Improvement Capital Projects Fund.

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

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

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 183,483,830	87.46%	\$ 184,324,860	86.95%
Commercial/Industrial & Public Utility	15,417,670	7.35%	15,259,150	7.20%
Tangible Personal Property	10,892,690	5.19%	12,399,290	5.85%
	\$ 209,794,190	100.00%	\$ 211,983,300	100.00%
Tax rate per \$1,000 assessed valuation	\$ 48.45		\$ 48.45	

**Note 7 - Receivables**

Receivables at June 30, 2011, consisted of taxes, accounts (student fees), intergovernmental grants, and interfund. 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.

The intergovernmental receivable at June 30 consisted of federal grants and other receivables.

General Fund	\$ 14,944
<u>Nonmajor Governmental Funds:</u>	
Food Service	32,796
Special Enterprise	148
Education Jobs	262,866
Race to the Top	14,651
IDEA	25,564
State Fiscal Stabilization	1,255
Title II-D	1,894
Title I	21,229
Improving Teacher Quality	680
	\$ 376,027

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**Note 8 – Capital Assets**

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

	Restated Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 202,377	\$ 0	\$ 0	\$ 202,377
Construction in Progress	34,655	2,842,305	0	2,876,960
<i>Total Capital Assets, Not Being Depreciated</i>	<u>237,032</u>	<u>2,842,305</u>	<u>0</u>	<u>3,079,337</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,101,776	6,007	0	2,107,783
Buildings and Improvements	5,993,997	6,645	0	6,000,642
Furniture and Fixtures	1,010,644	161,242	(8,213)	1,163,673
Vehicles	1,649,731	0	0	1,649,731
Textbooks	649,193	0	0	649,193
<i>Total Capital Assets, Being Depreciated</i>	<u>11,405,341</u>	<u>173,894</u>	<u>(8,213)</u>	<u>11,571,022</u>
<i>Accumulated Depreciation</i>				
Land Improvements	(1,262,468)	(64,108)	0	(1,326,576)
Buildings and Improvements	(4,355,464)	(87,627)	0	(4,443,091)
Furniture and Fixtures	(906,848)	(52,262)	5,841	(953,269)
Vehicles	(914,318)	(121,602)	0	(1,035,920)
Textbooks	(649,193)	0	0	(649,193)
<i>Total Accumulated Depreciated</i>	<u>(8,088,291)</u>	<u>(325,599)</u>	<u>5,841</u>	<u>(8,408,049)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,317,050</u>	<u>(151,705)</u>	<u>(2,372)</u>	<u>3,162,973</u>
<i>Governmental Activities, Capital Assets, Net</i>	<u>\$ 3,554,082</u>	<u>\$ 2,690,600</u>	<u>\$ (2,372)</u>	<u>\$ 6,242,310</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 112,317
Special	2,428
Vocational	8,078
Support Services:	
Administration	13,776
Fiscal	323
Operations and Maintenance of Plant	8,187
Pupil Transportation	126,472
Food Service Operations	11,616
Extracurricular Activities	42,402
Total Depreciation	<u>\$ 325,599</u>

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**Note 9 – Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The School District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers. General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the School District also maintains a \$4,000,000 umbrella liability policy.

The School District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss and replacement cost insurance on buildings and contents in the amount of \$32,005,264 (based on the most recent industrial appraisal). Insurance levels are monitored by the Treasurer and adjusted annually based on current capital assets values.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior years.

***B. Workers' Compensation***

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

The Plan is intended to achieve the benefit of a reduced premium for The School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

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 performances is compared to the overall savings percent of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of Gates McDonald provides administrative, cost control and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

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***C. Employee Medical Benefits***

As of August 31, 2008, the School District ceased operating a self-funded health insurance program. Beginning September 1, 2008, the School District began purchasing commercial insurance from a major independent insurance company. However, the School District does remain self-insured for dental and vision care.

**Note 10 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description – The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under *Employers/Audit Resources*.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District’s contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$212,734, \$217,311, and \$226,584, respectively, 61% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

***B. State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5% of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2011, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% 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% for members and 14% for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2011, 2010 and 2009 were \$820,696, \$787,570, and \$727,974, respectively; 82% has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$16,661 made by the School District and \$11,901 made by the plan members.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, all members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2011

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**Note 11 - Postemployment Benefits**

***A. State Teachers Retirement System***

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorized STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$63,130, \$56,255 and \$51,998, respectively; 82% has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

***B. School Employees Retirement System***

Plan Description — The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by SERS for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan included hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://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 allocated the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43% of covered payroll was allocated to health care.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$25,759, \$7,140, and \$67,238, respectively; 61% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. The School District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$13,690, \$11,797, and \$12,138, respectively; 61% has been contributed for fiscal year 2011 and 100% of the contributions have been made for fiscal years 2010 and 2009.

**Note 12 – Other Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty two days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, Administrators, and Classified employees earn sick leave at a rate of one and one-quarter days per month which may be accumulated up to a maximum of 271 days for classified employees and 270 for certified employees. Upon retirement, payment is made for one-fourth of accrued with a maximum of 57 days for classified employees and 85 days for certified employees.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

**Note 13 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

Energy Conservation Bonds - Energy conservation bonds in the amount of \$319,550 were issued in accordance with Chapter 133 of the Ohio Revised Code on July 1, 2003 with an average annual interest rate of 3.66%. The purpose of the energy conservation bonds issued was to reduce energy consumption in buildings owned by the School District. The energy conservation bonds were scheduled to be repaid over a 14 year period with the final payment due on December 1, 2016. The bonds will be retired from the general fund.

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011	Amount Due Within One Year
<b>General Obligation Bonds:</b>					
Energy Conservation	\$ 190,000	\$ 0	\$ (25,000)	\$ 165,000	\$ 25,000
<b>Other Long-Term Obligations:</b>					
Compensated Absences	687,871	133,461	(62,052)	759,280	66,179
Early Retirement Incentive	28,000	0	(14,000)	14,000	7,000
<i>Total Other Long-Term Obligations</i>	715,871	133,461	(76,052)	773,280	73,179
	\$ 905,871	\$ 133,461	\$ (101,052)	\$ 938,280	\$ 98,179

Compensated absences payable and early retirement incentive will be paid from the fund from the appropriate fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	General Obligation Bond		
	Principal	Interest	Total
2012	\$ 25,000	\$ 6,680	\$ 31,680
2013	25,000	5,661	30,661
2014	25,000	4,611	29,611
2015	30,000	3,428	33,428
2016	30,000	2,100	32,100
2017	30,000	713	30,713
	\$ 165,000	\$ 23,193	\$ 188,193

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

**Note 14 – Capitalized Lease/Lease Purchase Agreement**

During fiscal year 2011, the School District entered into a lease-purchase agreement (in the form of Certificates of Participation) for certain improvements, additional facilities and equipment. The School District is leasing the project site from PS&W Holding Company. PS&W Holding Company assigned Fifth Third Securities as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating the facilities from the proceeds provided by the lessor. As part of the agreement, Fifth Third Securities deposited \$2,100,000, with a fiscal agent for the project. Fifth Third Securities has sold certificates of participation in the building lease. The School District will make an annual lease payment to Fifth Third Securities with an interest rate of 2.75%.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011:

Fiscal Year Ending June 30, 2012	\$ 2,157,750
Less: Amount Representing Interest	<u>(57,750)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,100,000</u>

**Note 15 – Interfund Balances**

Interfund balances at June 30, 2011 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 49,251	\$ 0
Other governmental funds:		
Title VI	0	44,634
Title II	0	770
Drug Free School	0	1,686
E-Rate	<u>0</u>	<u>2,161</u>
	<u>\$ 49,251</u>	<u>\$ 49,251</u>

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2011, all interfund payables outstanding are anticipated to be repaid in fiscal year 2012.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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**Note 16 - Jointly Governed Organizations**

**Miami Valley Educational Computer Association** – The School District is a participant in the Miami Valley Educational Computer Association (MVECA) which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Greene and Highland Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of MVECA consists of six representatives from the member districts elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. The School District paid MVECA \$39,180 for services provided during the fiscal year. Financial information can be obtained from Angie Crandall, Executive Director, at MVECA at 330 Enon Road, Yellow Springs, Ohio 45387.

**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 of Education 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 Treasurer of the Tolles Career and Technical Center, 7877 U.S. Route 42, NE, Plain City, Ohio 43064.

**Note 17 - Contingencies**

**A. Grants**

The School 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at year end.

**B. Litigation**

The School District is party to legal proceedings. The School District is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition the School District.

**Note 18 – Statutory Reserves**

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

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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

	Capital Improvement Reserve	Textbook/ Instructional Materials Reserve
Set-Aside Restricted Balance, June 30, 2010	\$ 287,194	\$ 196,271
Current Year Set-Aside Requirement	206,435	206,435
Current Year Qualifying Expenditures	(3,200,674)	(119,455)
Total	\$ (2,707,045)	\$ 283,251
Set-Aside Restricted Balance June 30, 2011	\$ 0	\$ 283,251

Amounts remaining at the fiscal year end are represented by a restricted fund balance presented on the balance sheet. Effective July 1, 2011, textbook set-asides have been repealed.

**Note 19 – Restatement of Fund Balances/Net Assets**

**A. Cash Basis Fund Balances**

Fund balances have been restated at July 1, 2010, to account for the correction of revenues recorded in the incorrect fund and reclassification of fund balances due to the implementation of GASB 54. The adjustments had the following effect on cash basis fund balances as previously reported:

	General Fund	Permanent Improvement Fund
Beginning fund balances, June 30, 2010	\$ 8,756,870	\$ 1,871,846
Adjustments:		
Fund reclassifications	(952)	0
Tax revenue	297,472	(297,472)
Beginning fund balances, July 1, 2010	\$ 9,053,390	\$ 1,574,374

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

**B. Modified Accrual Fund Balances**

Fund balances have been restated at July 1, 2010, to account for the correction of revenues recorded in the incorrect fund, revenues recognized in the incorrect period, reclassification of fund balances due to the implementation of GASB 54, and reclass permanent improvement fund to nonmajor. The adjustments had the following effect on governmental modified fund balances as previously reported:

	General Fund	Permanent Improvement Fund	Building Improvement Fund	Other Governmental Funds
Beginning fund balances, June 30, 2010	\$ 9,966,726	\$ 1,703,041	\$ 0	\$ (104,124)
Adjustments:				
Tax revenue	297,427	(297,427)	0	0
Revenue recognition	(1,725,514)	0	0	(44,165)
Reclass of non-major fund	0	(1,405,614)	0	1,405,614
Fund reclassifications	23,462	0	0	(26,239)
Beginning fund balances, July 1, 2010	<u>\$ 8,562,101</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,231,086</u>

**C. Net Assets – Governmental Activities**

Net assets have been restated at July 1, 2010, to account for corrections to capital assets to correctly account for land and land improvements, revenues recognized in the incorrect period and reclassification of fund balances due to the implementation of GASB 54. The adjustments had the following effect on governmental activities net assets as previously reported:

Governmental activities net assets, June 30, 2010	\$ 15,064,516
Adjustments:	
Non-depreciable assets	(618,104)
Depreciable assets (net)	112,646
Revenue recognition	(1,769,679)
Fund reclassifications	<u>(2,777)</u>
Governmental activities net assets, July 1, 2010	<u>\$ 12,786,602</u>

**D. Net Assets – Private Purpose Trust Fund**

Private Purpose Trust fund net assets have been restated at July 1, 2010, to account for reclassification of fund balances due to the implementation of GASB 54. The adjustments had the following effect on the private purpose trust fund net assets as previously reported:

Private purpose trust fund net assets, June 30, 2010	\$ 33,751
Adjustments:	
Fund reclassifications	<u>2,777</u>
Private purpose trust fund net assets, July 1, 2010	<u>\$ 36,528</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

**Note 20 - Contracts Commitments**

As of June 30, 2011, the School District had the following major contractual commitments outstanding:

	Contract Amount	Amount Paid as of June 30, 2010	Amount Remaining on Contract
Chillicothe Fire & Safety	\$ 42,782	\$ 38,386	\$ 4,396
Authentic Flooring	17,915	0	17,915
CESO	7,900	6,700	1,200
	<u>\$ 68,597</u>	<u>\$ 45,086</u>	<u>\$ 23,511</u>

**Note 21 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Building Improvements	Other Governmental Funds	Total
Restricted for:				
Set-Asides	\$ 283,251	\$ 0	\$ 0	\$ 283,251
Debt Service	0	0	2,060	2,060
Capital Outlay	0	0	614,457	614,457
Other Purposes	0	0	131,983	131,983
Total Restricted	<u>283,251</u>	<u>0</u>	<u>748,500</u>	<u>1,031,751</u>
Committed	<u>970</u>	<u>0</u>	<u>0</u>	<u>970</u>
Assigned for:				
Encumbrances	149,696	0	0	149,696
Other Purposes	14,358	0	0	14,358
Total Assigned	<u>164,054</u>	<u>0</u>	<u>0</u>	<u>164,054</u>
Unassigned	<u>8,958,800</u>	<u>(2,100,000)</u>	<u>(95,684)</u>	<u>6,763,116</u>
Total Fund Balance	<u>\$ 9,407,075</u>	<u>\$ (2,100,000)</u>	<u>\$ 652,816</u>	<u>\$ 7,959,891</u>

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**MADISON-PLAINS LOCAL SCHOOL DISTRICT**



**Single Audit Reports**

**June 30, 2011**

**MADISON-PLAINS LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grant/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
School Breakfast Program	3L70	10.553	\$48,276	\$0	\$48,276	\$0
National School Lunch Program	3L60	10.555	196,690	52,123	196,690	52,123
Total Nutrition Cluster			<u>244,966</u>	<u>52,123</u>	<u>244,966</u>	<u>52,123</u>
Total U.S. Department of Agriculture			<u>244,966</u>	<u>52,123</u>	<u>244,966</u>	<u>52,123</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education-Grants to States	3M20	84.027	301,361	0	274,436	0
Special Education-Grants to States - ARRA	3DJ0	84.391	145,141	0	75,546	0
Total Special Education Cluster			<u>446,502</u>	<u>0</u>	<u>349,982</u>	<u>0</u>
Title I Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	216,988	0	190,575	0
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	93,773	0	13,494	0
Total Title I Cluster			<u>310,761</u>	<u>0</u>	<u>204,069</u>	<u>0</u>
Safe and Drug Free Schools and Communities	3D10	84.186	994	0	0	0
Education Technology State Grants	3S20	84.318	62	0	1,550	0
Improving Teacher Quality	3Y60	84.367	61,623	0	68,923	0
State Fiscal Stabilization Fund (SFSF) Ed St Grant - ARRA	GRF	84.394	392,888	0	431,963	0
Total Department of Education			<u>1,212,830</u>	<u>0</u>	<u>1,056,487</u>	<u>0</u>
Total Federal Assistance			<u>\$1,457,796</u>	<u>\$52,123</u>	<u>\$1,301,453</u>	<u>\$52,123</u>

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A -- SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Education  
Madison-Plains Local School District

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Madison-Plains Local School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 20, 2011 wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 2. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. 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 corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-1 to be a material weakness.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 20, 2011.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 20, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education  
Madison-Plains Local School District

Compliance

We have audited the Madison-Plains Local School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

## Internal Control over Compliance

Management of the District 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over 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.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011, which contained an unqualified opinion on those financial statements wherein we noted the District adopted GASB Statement No. 54 as disclosed in Note 2. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 20, 2011

**MADISON-PLAINS LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011**

**Section I – Summary of Auditor’s Results**

<i>(d)(1)(i) Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii) Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii) Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii) Was there any material reported non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv) Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv) Were there any other significant control deficiencies reported for major federal programs?</i>	No
<i>(d)(1)(v) Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi) Are there any reportable findings under Section .510?</i>	No
<i>(d)(1)(vii) Major Programs (list):</i>	Special Education Cluster: Special Education Grants to States                      CFDA# 84.027 Special Education Grants to States - ARRA            CFDA# 84.391 State Fiscal Stabilization Fund: (SFSF) Ed St Grant - ARRA            CFDA# 84.394
<i>(d)(1)(viii) Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix) Low Risk Auditee?</i>	Yes



## **Section II – Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

### **Finding 2011-1          Material Weakness – Controls Related to Financial Reporting**

Sound financial reporting is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:

1. Tax revenue was recorded in the wrong fund resulting in a \$297,427 prior period adjustment.
2. Adjustments were made to capital assets and depreciation resulting in a \$505,458 prior period adjustment.
3. Adjusted taxes revenue by \$407,170 and deferred revenue by \$1,362,509 as a result of using incorrect advances available amounts. A prior period adjustment in the amount of \$1,769,679 was made for the same reason.

The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.

We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end.

Officials Response: Management will develop a process to oversee the GAAP conversion process more closely.

## **Section III – Federal Award Findings and Questioned Costs**

None

**MADISON-PLAINS LOCAL SCHOOL DISTRICT  
JUNE 30, 2011**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
*OMB CIRCULAR A-133***

The Madison-Plains Local School District had no prior audit findings or questioned costs.

**MADISON-PLAINS LOCAL SCHOOL DISTRICT**



**Agreed Upon Procedures Report**

**June 30, 2011**

**INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Education  
Madison-Plains Local School District

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 Madison-Plains 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.

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.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
December 20, 2011



# Dave Yost • Auditor of State

**MADISON-PLAINS 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 21, 2012**