

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY  
Single Audit  
For the Year Ended June 30, 2012**

***Perry & Associates***  
Certified Public Accountants, A.C





# 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 Accountants' Report* of the Madison Plains Local School District, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2011 through June 30, 2012. 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 black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 11, 2013

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**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

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MADISON COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

December 28, 2012

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Madison Plains Local School District**, Madison County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Madison Plains Local School District, Madison County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.



**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
(Unaudited)

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The discussion and analysis of the Madison Plain 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, 2012. 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 2012 are as follows:

- Net assets decreased \$1,212,646, which represents an 8.73 percent decrease from 2011.
- Capital assets increased \$12,250 during fiscal year 2012.
- During the year, outstanding debt decreased from \$165,000 to \$140,000 due to principal payments made by the School District.
- The School District paid off the certificate of participation of \$2,100,000.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Madison Plains Local School District as a whole 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 the Madison Plains Local School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While the basic financial statements contain 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 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities 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, 2012*  
(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*, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and non instructional services, i.e., food service operations.

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

***Fund Financial Statements***

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

***Proprietary Fund*** The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(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 2012 compared to 2011:

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

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and Other Assets	\$ 13,135,229	\$ 17,066,774
Capital Assets	6,254,560	6,242,310
<i>Total Assets</i>	19,389,789	23,309,084
<b>Liabilities</b>		
Other Liabilities	5,710,447	8,485,002
Long-Term Liabilities	1,006,186	938,280
<i>Total Liabilities</i>	6,716,633	9,423,282
<b>Net Assets</b>		
Invested in Capital Assets	6,254,560	4,142,310
Restricted	696,761	1,362,568
Unrestricted	5,721,835	8,380,924
<i>Total Net Assets</i>	\$ 12,673,156	\$ 13,885,802

At year end, invested in capital assets represented 49.35 percent of total net assets. Capital assets include, land and land improvements, buildings and building improvements, furniture and fixtures and vehicles and textbooks. Capital assets were \$6,254,560 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending.

A portion of the School District's net assets, \$696,761 or 5.50 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$5,721,835 may be used to meet the government's ongoing obligations to students and creditors.

Total current assets and other liabilities decreased by \$3,931,545 and 2,774,555, respectively. These decreases were primarily the result of decreased cash to retire the Certificate of Participation payable.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

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

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,402,746	\$ 1,432,166
Operating Grants	880,219	1,323,917
Capital Grants	35,536	6,074
<i>Total Program Revenues</i>	<u>2,318,501</u>	<u>2,762,157</u>
<i>General Revenues:</i>		
Property Taxes	5,656,152	6,535,415
Grants and Entitlements Not Restricted	6,172,530	6,725,791
Payments in Lieu of Taxes	11,170	19,519
Other	262,292	343,937
<i>Total General Revenues</i>	<u>12,102,144</u>	<u>13,624,662</u>
<i>Total Revenues</i>	<u>14,420,645</u>	<u>16,386,819</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	7,166,660	6,892,826
Special	810,820	908,812
Vocational	528,145	452,964
Student Intervention Services	14,030	0
<i>Support Services:</i>		
Pupils	523,508	582,999
Instructional Staff	865,378	576,122
Board of Education	57,028	55,921
Administration	1,441,440	1,301,950
Fiscal	661,368	601,797
Business	1,026	943
Operation and Maintenance of Plant	600,076	1,136,994
Pupil Transportation	1,330,120	1,065,881
Central	316,666	446,400
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	525,012	658,977
Other	250,018	0
Extracurricular Activities	504,407	555,197
<i>Debt Service:</i>		
Interest and Fiscal Charges	37,589	49,836
<i>Total Expenses</i>	<u>15,633,291</u>	<u>15,287,619</u>
<i>Increase (Decrease) in Net Assets</i>	(1,212,646)	1,099,200
<i>Net Assets at Beginning of Year</i>	<u>13,885,802</u>	<u>12,786,602</u>
<i>Net Assets at End of Year</i>	<u>\$ 12,673,156</u>	<u>\$ 13,885,802</u>

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)

Overall revenue decreased \$1,966,174 over fiscal year 2011, primarily from decreased tax revenue. Property tax revenue decreased \$879,263 due to the timing of advances received by the School District. Operating grants decreased \$443,698 due to the expiration of the stimulus grants. Program expenses increased from \$15.3 million in fiscal year 2011 to \$15.6 million in fiscal year 2012. The increase in total program expenses reflects increases in instruction and instructional staff.

The majority of revenues supporting governmental activities are general revenues. General revenues totaled \$12,102,144 or 83.92 percent 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 \$2,318,501 or 16.08 percent of total revenue.

Instructional expenses comprise 54.50 percent of governmental expenses. Additional supporting services including program expenses of pupils, instructional staff and operation and maintenance of plant, encompassed an additional 42.04 percent. The remaining 3.46 percent is used for other obligations of the School District such as extracurricular activities and food service operations.

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.

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

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 7,166,660	\$ 6,892,826	\$ 6,004,744	\$ 5,303,155
Special	810,820	908,812	533,814	870,392
Vocational	528,145	452,964	528,145	452,964
Student Intervention Services	14,030	0	14,030	0
Support Services:				
Pupils	523,508	582,999	511,441	582,999
Instructional Staff	865,378	576,122	765,161	288,263
Board of Education	57,028	55,921	57,028	55,921
Administration	1,441,440	1,301,950	1,346,977	1,301,950
Fiscal	661,368	601,797	661,368	601,797
Business	1,026	943	1,026	943
Operation and Maintenance of Plant	600,076	1,136,994	564,540	1,130,920
Pupil Transportation	1,330,120	1,065,881	1,328,828	1,062,335
Central	316,666	446,400	309,466	430,025
Operation of Non-Instructional Services:				
Food Service Operations	525,012	658,977	(1,171)	8,432
Other	250,018	0	250,018	0
Extracurricular Activities	504,407	555,197	401,786	385,530
Debt Service:				
Interest and Fiscal Charges	37,589	49,836	37,589	49,836
<i>Total Expenses</i>	<b>\$ 15,633,291</b>	<b>\$ 15,287,619</b>	<b>\$ 13,314,790</b>	<b>\$ 12,525,462</b>

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

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The dependence upon general revenues for governmental activities is apparent. Over 85.17 percent of governmental activities are supported through taxes and other general revenues; such revenues are 83.92 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

***Governmental Funds***

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,988,969 and expenditures and other financing uses of \$17,930,254 for fiscal year 2012. The net change in fund balances for the fiscal year was a decrease of \$941,285 for all governmental funds with the most significant decrease in the general fund.

The fund balance of the general fund decreased by \$3,057,716, which was mainly due to decreased property tax revenue of \$896,938, increased instruction expenses of \$107,665 and increased support services of \$578,145. The General Fund also transferred out \$2,290,728 to pay off the Certificate of Participation payable and to subsidize activities of other funds.

***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 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$398,431 less than the final budget basis revenue of \$12,719,264. Most of this difference is due to an overestimation of intergovernmental and property tax revenue.

Final expenditure appropriations of \$13,655,444 were \$149,649 higher than the actual expenditures of \$13,505,795, as cost savings were recognized for instruction and student support services throughout the year.

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(Unaudited)*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2012, the School District had \$6,254,560 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2012	2011
Land	\$ 202,377	\$ 202,377
Construction in Progress	0	2,876,960
Land Improvements	945,385	781,207
Buildings and Building Improvements	4,322,369	1,557,551
Furniture and Fixtures	518,736	210,404
Vehicles	241,615	613,811
Textbooks	24,078	0
<i>Totals</i>	\$ 6,254,560	\$ 6,242,310

The \$12,250 increase in capital assets was attributable to additional purchases exceeding current year depreciation and disposals. The modular units were completed and put into service during fiscal year 2012. See Note 8 for more information about the capital assets of the School District.

**Debt**

At June 30, 2012, the School District had \$140,000 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2012	2011
HB 264 Energy Conservation Bonds	\$ 140,000	\$ 165,000

**Madison Plains Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*(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. The School district has completed negotiations with both MPEA and OAPSE in spring 2012. A three year contract has been agreed upon. Both contracts call for a 1.25 percent base increase in each year of the agreement. The agreement also calls for an insurance cap of 10 percent in the final year of the contract insuring the district and the membership premium rate increases will not exceed 8 percent and 2 percent, respectively.

***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 Tim Dettwiller, Treasurer of Madison Plains Local School District, 55 Linson Road SW, London, Ohio 43140.



**Madison Plains Local School District**

*Statement of Net Assets*

*June 30, 2012*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,188,237
Receivables:	
Accounts	53,425
Intergovernmental	142,646
Property Taxes	5,750,921
Nondepreciable Capital Assets	202,377
Depreciable Capital Assets (Net)	<u>6,052,183</u>
<i>Total Assets</i>	<u>19,389,789</u>
<b>Liabilities</b>	
Accounts Payable	190,447
Accrued Wages and Benefits	1,137,312
Intergovernmental Payable	402,812
Accrued Vacation Leave Payable	18,030
Matured Compensated Absences Payable	35,819
Accrued Interest Payable	780
Deferred Revenue	3,925,247
Long Term Liabilities:	
Due Within One Year	117,888
Due In More Than One Year	<u>888,298</u>
<i>Total Liabilities</i>	<u>6,716,633</u>
<b>Net Assets</b>	
Invested in Capital Assets	6,254,560
Restricted For:	
Capital Outlay	630,095
Debt Service	1,280
Other Purposes	65,386
Unrestricted	<u>5,721,835</u>
<i>Total Net Assets</i>	<u>\$ 12,673,156</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 7,166,660	\$ 826,118	\$ 335,798	\$ 0	\$ (6,004,744)
Special	810,820	170,557	106,449	0	(533,814)
Vocational	528,145	0	0	0	(528,145)
Student Intervention Services	14,030	0	0	0	(14,030)
Support Services:					
Pupils	523,508	12,067	0	0	(511,441)
Instructional Staff	865,378	17,972	82,245	0	(765,161)
Board of Education	57,028	0	0	0	(57,028)
Administration	1,441,440	0	94,463	0	(1,346,977)
Fiscal	661,368	0	0	0	(661,368)
Business	1,026	0	0	0	(1,026)
Operation and Maintenance of Plant	600,076	0	0	35,536	(564,540)
Pupil Transportation	1,330,120	1,292	0	0	(1,328,828)
Central	316,666	0	7,200	0	(309,466)
Operation of Non-Instructional Services:					
Food Service Operations	525,012	279,015	247,168	0	1,171
Other	250,018	0	0	0	(250,018)
Extracurricular Activities	504,407	95,725	6,896	0	(401,786)
Debt Service:					
Interest and Fiscal Charges	37,589	0	0	0	(37,589)
<b>Total</b>	<b>\$ 15,633,291</b>	<b>\$ 1,402,746</b>	<b>\$ 880,219</b>	<b>\$ 35,536</b>	<b>(13,314,790)</b>

**General Revenues**

Property Taxes Levied for:	
General Purposes	5,404,279
Capital Outlay	251,873
Grants and Entitlements Not Restricted to Specific Programs	6,172,530
Payments in Lieu of Taxes	11,170
Investment Earnings	33,187
Miscellaneous	229,105
<b>Total General Revenues</b>	<b>12,102,144</b>
<i>Change in Net Assets</i>	<i>(1,212,646)</i>
<i>Net Assets Beginning of Year</i>	<i>13,885,802</i>
<i>Net Assets End of Year</i>	<b>\$ 12,673,156</b>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**

*Balance Sheet  
Governmental Funds  
June 30, 2012*

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,435,154	\$ 726,381	\$ 7,161,535
Receivables:			
Accounts	51,721	0	51,721
Interfund	25,856	0	25,856
Intergovernmental	56,988	85,658	142,646
Property Taxes	5,418,137	332,784	5,750,921
<i>Total Assets</i>	<u>\$ 11,987,856</u>	<u>\$ 1,144,823</u>	<u>\$ 13,132,679</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 173,637	\$ 16,810	\$ 190,447
Accrued Wages and Benefits	1,005,242	132,070	1,137,312
Intergovernmental Payable	364,314	38,498	402,812
Matured Compensated Absences Payable	35,819	0	35,819
Interfund Payable	0	25,856	25,856
Deferred Revenue	4,059,485	262,342	4,321,827
<i>Total Liabilities</i>	<u>5,638,497</u>	<u>475,576</u>	<u>6,114,073</u>
<b>Fund Balances</b>			
Restricted	0	718,730	718,730
Committed	970	0	970
Assigned	288,521	0	288,521
Unassigned	6,059,868	(49,483)	6,010,385
<i>Total Fund Balances</i>	<u>6,349,359</u>	<u>669,247</u>	<u>7,018,606</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,987,856</u>	<u>\$ 1,144,823</u>	<u>\$ 13,132,679</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012*

<b>Total Governmental Fund Balances</b>		\$ 7,018,606
 <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.		6,254,560
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 339,298	
Intergovernmental	<u>57,282</u>	
Total		396,580
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.		28,406
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(780)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(140,000)	
Early Retirement Incentive	(25,030)	
Compensated Absences	<u>(859,186)</u>	
Total		<u>(1,024,216)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 12,673,156</u></u>

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, 2012*

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 5,380,986	\$ 250,842	\$ 5,631,828
Intergovernmental	6,114,385	1,253,216	7,367,601
Investment Income	33,187	4,507	37,694
Tuition and Fees	939,670	18,770	958,440
Extracurricular Activities	12,067	96,235	108,302
Charges for Services	46,570	279,015	325,585
Contributions and Donations	11,376	40,325	51,701
Payments in Lieu of Taxes	11,170	0	11,170
Miscellaneous	167,128	4,033	171,161
<i>Total Revenues</i>	<u>12,716,539</u>	<u>1,946,943</u>	<u>14,663,482</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	6,596,829	369,409	6,966,238
Special	712,755	114,827	827,582
Vocational	503,211	0	503,211
Student Intervention Services	0	14,030	14,030
Support Services:			
Pupils	523,685	475	524,160
Instructional Staff	444,103	394,376	838,479
Board of Education	56,817	0	56,817
Administration	1,305,802	99,667	1,405,469
Fiscal	648,715	1,466	650,181
Business	1,026	0	1,026
Operation and Maintenance of Plant	799,076	137,500	936,576
Pupil Transportation	1,160,761	19,061	1,179,822
Central	330,452	22,694	353,146
Extracurricular Activities	370,876	156,567	527,443
Operation of Non-Instructional Services:			
Food Service Operations	90	515,951	516,041
Capital Outlay	19,108	230,910	250,018
Debt Service:			
Principal Retirement	25,000	0	25,000
Interest and Fiscal Charges	6,680	57,590	64,270
<i>Total Expenditures</i>	<u>13,504,986</u>	<u>2,134,523</u>	<u>15,639,509</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(788,447)</u>	<u>(187,580)</u>	<u>(976,027)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	21,442	57,175	78,617
Transfers In	17	2,246,853	2,246,870
Transfers Out	(2,290,728)	(17)	(2,290,745)
<i>Total Other Financing Sources (Uses)</i>	<u>(2,269,269)</u>	<u>2,304,011</u>	<u>34,742</u>
<i>Net Change in Fund Balance</i>	(3,057,716)	2,116,431	(941,285)
<i>Fund Balances Beginning of Year</i>	<u>9,407,075</u>	<u>(1,447,184)</u>	<u>7,959,891</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,349,359</u>	<u>\$ 669,247</u>	<u>\$ 7,018,606</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 of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (941,285)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 580,898	
Current Year Depreciation	(332,417)	248,481

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (236,231)

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

Property Taxes	24,324	
Charges for Services	(10,629)	
Intergovernmental	(267,162)	(253,467)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 25,000

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable		26,681
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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. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 6,086

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Vacations Payable	4,995	
Compensated Absences	(99,906)	
Early Retirement Incentive	7,000	(87,911)

*Change in Net Assets of Governmental Activities* \$ (1,212,646)

See accompanying notes to the basic financial statements.

**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, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 5,375,199	\$ 5,302,773	\$ 5,136,663	\$ (166,110)
Intergovernmental	6,398,324	6,312,112	6,114,385	(197,727)
Investment Income	34,728	34,260	33,187	(1,073)
Tuition and Fees	944,747	932,017	902,822	(29,195)
Contributions and Donations	5,076	5,008	4,851	(157)
Payments in Lieu of Taxes	12,470	12,302	11,917	(385)
Miscellaneous	122,442	120,792	117,008	(3,784)
<i>Total Revenues</i>	<u>12,892,986</u>	<u>12,719,264</u>	<u>12,320,833</u>	<u>(398,431)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,546,240	6,601,989	6,529,639	72,350
Special	619,368	737,267	729,187	8,080
Vocational	408,177	485,876	480,551	5,325
Support Services:				
Pupils	425,247	506,194	500,647	5,547
Instructional Staff	376,990	448,752	443,834	4,918
Board of Education	48,567	57,812	57,178	634
Administration	1,086,156	1,292,910	1,278,741	14,169
Fiscal	534,899	636,719	629,741	6,978
Business	871	1,037	1,026	11
Operation and Maintenance of Plant	687,776	818,697	809,725	8,972
Pupil Transportation	982,856	1,169,946	1,157,125	12,821
Central	296,424	352,850	348,983	3,867
Extracurricular Activities	297,797	354,484	350,599	3,885
Operation of Non-Instructional Services:				
Food Service Operations	76	91	90	1
Capital Outlay	16,230	19,320	19,108	212
Debt Service:				
Principal Retirement	138,401	164,746	162,941	1,805
Interest and Fiscal Charges	5,674	6,754	6,680	74
<i>Total Expenditures</i>	<u>11,471,749</u>	<u>13,655,444</u>	<u>13,505,795</u>	<u>149,649</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,421,237</u>	<u>(936,180)</u>	<u>(1,184,962)</u>	<u>(248,782)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	22,438	22,135	21,442	(693)
Transfers In	35,336	34,860	33,768	(1,092)
Transfers Out	(1,948,705)	(2,319,649)	(2,294,228)	25,421
<i>Total Other Financing Sources (Uses)</i>	<u>(1,890,931)</u>	<u>(2,262,654)</u>	<u>(2,239,018)</u>	<u>23,636</u>
<i>Net Change in Fund Balance</i>	(469,694)	(3,198,834)	(3,423,980)	(225,146)
<i>Fund Balance Beginning of Year</i>	9,397,103	9,397,103	9,397,103	0
Prior Year Encumbrances Appropriated	194,340	194,340	194,340	0
<i>Fund Balance End of Year</i>	<u>\$ 9,121,749</u>	<u>\$ 6,392,609</u>	<u>\$ 6,167,463</u>	<u>\$ (225,146)</u>

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2012*

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	Governmental Activities - Internal Service Fund
	<u>                    </u>
<b>Assets</b>	
<i>Current Assets</i>	
Equity in Pooled Cash and Cash Equivalents	\$ 26,702
Accounts Receivable	<u>1,704</u>
<i>Total Assets</i>	<u>28,406</u>
<b>Net Assets</b>	
Unrestricted	<u>28,406</u>
<i>Total Net Assets</i>	<u><u>\$ 28,406</u></u>

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, 2012*

	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Other Revenue	\$ 41,131
<b>Operating Expenses</b>	
Purchased Services	78,920
<i>Operating Income (Loss)</i>	<i>(37,789)</i>
<b>Non-Operating Revenue</b>	
Transfers In	43,875
<i>Change in Net Assets</i>	6,086
<i>Net Assets Beginning of Year</i>	22,320
<i>Net Assets End of Year</i>	\$ 28,406

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, 2012

	Governmental Activities - Internal Service Fund
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>	
<b>Cash Flows From Operating Activities</b>	
Cash Received for Charges for Services	\$ 40,928
Cash Paid for Goods and Services	(77,363)
Cash Paid for Employee Benefits	(1,557)
	(37,992)
<i>Net Cash Provided By (Used For) Operating Activities</i>	(37,992)
<b>Cash Flows From Non-Capital Financing Activities</b>	
Transfers to Other Funds	43,875
	43,875
<i>Net Cash Provided By (Used For) Non-Capital Activities</i>	43,875
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	5,883
<i>Cash and Cash Equivalents Beginning of Year</i>	20,819
<i>Cash and Cash Equivalents End of Year</i>	\$ 26,702
<b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income (Loss)	\$ (37,789)
(Increase) Decrease Assets:	
Accounts Receivable	(203)
	(203)
<i>Total Adjustments</i>	(203)
<i>Net Cash Provided By (Used For) Operating Activities</i>	\$ (37,992)

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2012*

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 2,952	\$ 139,044
<i>Total Assets</i>	<u>2,952</u>	<u>\$ 139,044</u>
<b>Liabilities</b>		
Accounts Payable	0	\$ 7,620
Undistributed Monies	0	97,912
Due to Students	0	33,512
<i>Total Liabilities</i>	<u>0</u>	<u>\$ 139,044</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>\$ 2,952</u>	

See accompanying notes to the basic financial statements.

**Madison Plains Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

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	Private Purpose Trust
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	\$ 33,751
<i>Change in Net Assets</i>	(33,751)
<i>Net Assets Beginning of Year</i>	36,703
<i>Net Assets End of Year</i>	\$ 2,952

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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, 2012

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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, forty 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 1,301. The School District employed 106 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, 2012

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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, 2012

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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 is the School District's major governmental fund:

**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.

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.

**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.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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***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.

***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.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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

***E. Cash and Cash Equivalents***

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 Cash Equivalents” on the financial statements.

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During fiscal year 2012, investments were limited to STAROhio. 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, 2012.

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 2012 amounted to \$33,187, which includes \$16,646 assigned from other School District funds.

***F. 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.

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

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***G. 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.

***H. 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.

***I. 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.

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***J. 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. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

*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.

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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.

***K. 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.

***L. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

***M. 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.

***N. 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.

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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 2012.

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.

**Note 3 – Accountability**

**A. Accountability**

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

<b>Nonmajor Governmental Funds:</b>	<b>Amount</b>
Local Grants	\$ 1,596
After School Care	11,749
Race to the Top	214
IDEA, Part B	12,231
Title II-D	225
Title I	21,308
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).

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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).

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.

<b>Net Change in Fund Balance</b>	
GAAP Basis	\$ (3,057,716)
Net adjustments for revenue accruals	(282,899)
Net adjustments for expenditure accruals	(370,547)
Funds budgeted elsewhere**	15,471
Adjustments for encumbrances	271,711
Budget Basis	<u>\$ (3,423,980)</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 the uniform school supplies, public school support and district rotary 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.

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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.

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.



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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.

**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 \$6,999,293, and the bank balance was \$7,207,421. Of the bank balance:

1. \$500,000 of the bank balance was covered by depository insurance; and
2. \$6,707,421 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, 2012, the School District had the following investment:

Rating by Standard and Poor's	Entity	Fair Value	Investment Maturity 0 - 1 Years	Percentage
AAAm	STAROhio	\$ 330,790	\$ 330,790	100%

**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.

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STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that existing physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor's.

**Credit Risk:** The School District's investment credit rating is 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.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced 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 are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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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 and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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, 2012, was \$1,415,640 in the general fund and \$70,736 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2011, was \$1,171,317 in the general fund and \$90,855 in the permanent improvement capital projects fund. On an 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.

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

	<u>2012 First-Half Collections</u>		<u>2011 Second-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real	\$ 219,957,630	89.61%	\$ 184,324,860	86.95%
Commercial/Industrial & Public Utility	12,975,340	5.29%	15,259,150	7.20%
Tangible Personal Property	12,519,930	5.10%	12,399,290	5.85%
Total	<u>\$ 245,452,900</u>	<u>100.00%</u>	<u>\$ 211,983,300</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.55		\$ 48.45	

**Note 7 - Receivables**

Receivables at June 30, 2012, 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. All receivables are expected to be collected within the subsequent year.

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**Note 8 – Capital Assets**

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

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 202,377	\$ 0	\$ 0	\$ 202,377
Construction in Progress	2,876,960	0	(2,876,960)	0
<i>Total Capital Assets, Not Being Depreciated:</i>	<u>3,079,337</u>	<u>0</u>	<u>(2,876,960)</u>	<u>202,377</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	2,107,783	289,262	(148,480)	2,248,565
Buildings and Improvements	6,000,642	2,855,039	(887,673)	7,968,008
Furniture and Fixtures	1,163,673	289,479	(11,977)	1,441,175
Vehicles	1,649,731	0	(188,014)	1,461,717
Textbooks	649,193	24,078	0	673,271
<i>Total Capital Assets, Being Depreciated</i>	<u>11,571,022</u>	<u>3,457,858</u>	<u>(1,236,144)</u>	<u>13,792,736</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,326,576)	(46,222)	69,618	(1,303,180)
Buildings and Improvements	(4,443,091)	(64,954)	862,406	(3,645,639)
Furniture and Fixtures	(953,269)	(37,059)	67,889	(922,439)
Vehicles	(1,035,920)	(184,182)	0	(1,220,102)
Textbooks	(649,193)	0	0	(649,193)
<i>Total Accumulated Depreciation</i>	<u>(8,408,049)</u>	<u>(332,417)</u>	<u>999,913</u>	<u>(7,740,553)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>3,162,973</u>	<u>3,125,441</u>	<u>(236,231)</u>	<u>6,052,183</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 6,242,310</u>	<u>\$ 3,125,441</u>	<u>\$ (3,113,191)</u>	<u>\$ 6,254,560</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 114,669
Special	2,479
Vocational	8,247
Support Services:	
Administration	14,064
Fiscal	330
Operation and Maintenance of Plant	8,358
Pupil Transportation	129,120
Extracurricular Activities	43,290
Food Service Operations	11,860
	<u>\$ 332,417</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 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$216,061, \$212,734 and \$217,311, respectively; 67 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

***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 plan. 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 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).

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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FOR FISCAL YEAR ENDED JUNE 30, 2012

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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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$813,510, \$820,696 and \$787,570, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,440 made by the School District and \$9,600 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, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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**Note 11 - Postemployment Benefits**

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

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on 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 allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,394, \$25,759, and \$7,140, respectively; 67 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.



MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$12,810, \$13,690, and \$11,797, respectively; 67 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$62,578, \$63,130, and \$56,255, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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, 2012

**Note 13 - Long - Term Obligations**

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.

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

	Balance 6/30/2011	Additions	Deductions	Balance 6/30/2012	Amount Due in One Year
<b>General obligation bonds:</b>					
Energy Conservation	\$ 165,000	\$ 0	\$ (25,000)	\$ 140,000	\$ 25,000
<b>Other liabilities:</b>					
Compensated absences	759,280	304,055	(204,149)	859,186	85,888
Early retirement incentive	14,000	0	(7,000)	7,000	7,000
Total other liabilities	<u>773,280</u>	<u>304,055</u>	<u>(211,149)</u>	<u>866,186</u>	<u>92,888</u>
<b>Total</b>	<u>\$ 938,280</u>	<u>\$ 304,055</u>	<u>\$ (236,149)</u>	<u>\$ 1,006,186</u>	<u>\$ 117,888</u>

Compensated absences payable and early retirement incentive will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	General Obligation Bond		
	Principal	Interest	Total
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
	<u>\$ 140,000</u>	<u>\$ 16,513</u>	<u>\$ 156,513</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2012

**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 made an annual lease payment to Fifth Third Securities with an interest rate of 2.75% during fiscal year 2012. The lease was paid off as of June 30, 2012.

**Note 15 – Interfund Activity**

**A. Interfund Balances**

Interfund balances at June 30, 2012 consisted of the following:

	Interfund Receivable	Interfund Payable
Fund:		
General	\$ 25,586	\$ 0
Other Governmental		
Other Grants	0	1,348
After School Care	0	10,305
Education Jobs	0	12,650
Race to the Top	0	1,182
Title II-D	0	371
Total Other Governmental	0	25,856
 Total	\$ 25,586	\$ 25,856

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, 2012, all interfund payables outstanding are anticipated to be repaid in fiscal year 2013.

**B. Interfund Transfers**

During fiscal year 2012, the General Fund transferred \$2,157,590 to the Building Fund to pay off the principal and interest associated with the capital lease for improvement of facilities and equipment (See Note 14). The General Fund also transferred \$133,138 to Other Governmental Funds to subsidize the activities of those funds. Other Governmental funds transferred expired programs of \$17 to the General Fund during the fiscal year.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expand them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**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 \$59,139 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. Review of Statewide Attendance Data**

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

**B. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

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*C. Litigation*

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

**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 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.

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 Acquisition
Set-Aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	231,004
Current Year Qualifying Expenditures	<u>(375,261)</u>
Total	<u>\$ (144,257)</u>
Cash Balance Carried Forward FY 2013	<u>\$ 0</u>
Amount to Restrict for Set-Asides	<u>\$ 0</u>
Set-Aside Restricted Balance as of June 30, 2012	<u>\$ 0</u>

MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY

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

**Note 19 – 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	Other Governmental	Total
Restricted for:			
Debt Service	\$ 0	\$ 2,060	\$ 2,060
Capital Outlay	0	610,662	610,662
Other Purposes	0	106,008	106,008
Total Restricted	0	718,730	718,730
Committed	970	0	970
Assigned for:			
Instruction	28,053	0	28,053
Support Services	105,297	0	105,297
Debt Service	137,941		137,941
Other Purposes	17,230		17,230
Total Assigned	288,521	0	288,521
Unassigned	6,059,868	(49,483)	6,010,385
<i>Total Fund Balance</i>	\$ 6,349,359	\$ 669,247	\$ 7,018,606

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

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

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program or Cluster Title	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$ 48,276	\$ -	\$ 48,276	\$ -
National School Lunch Program	10.555	196,690	85,582	196,690	85,582
Total Child Nutrition Cluster		<u>244,966</u>	<u>85,582</u>	<u>244,966</u>	<u>85,582</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>244,966</u></b>	<b><u>85,582</u></b>	<b><u>244,966</u></b>	<b><u>85,582</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through Ohio Department of Education:</i>					
Title I, Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	258,976	-	285,114	-
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B)	84.027	305,805	-	238,213	-
Safe and Drug Free Schools and Communities	84.186	3,419	-	1,733	-
Eisenhower Grant	84.281	-	-	165	-
Innovative Education Program Strategies	84.298	6	-	-	-
Education Technology State Grants	84.318	3,416	-	3,017	-
Improving Teacher Quality	84.367	60,912	-	64,061	-
State Fiscal Stabilization Fund (SFSF)					
Educational State Grant - ARRA	84.394	31,330	-	65,717	-
Race to the Top - ARRA	84.395	42,132	-	43,313	-
Education Jobs	84.410	204,095	-	216,744	-
<b>Total U.S. Department of Education</b>		<b><u>910,091</u></b>	<b><u>-</u></b>	<b><u>918,077</u></b>	<b><u>-</u></b>
<b>Total Federal Financial Assistance</b>		<b><u>\$ 1,155,057</u></b>	<b><u>\$ 85,582</u></b>	<b><u>\$ 1,163,043</u></b>	<b><u>\$ 85,582</u></b>

See Accompanying Notes to this Schedule

**MADISON PLAINS LOCAL SCHOOL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Note A – Significant Accounting Policies**

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

**Note B – Child Nutrition Cluster**

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

**Note C – Food Donation Program**

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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

December 28, 2012

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **Madison Plains Local School District**, Madison County, Ohio (the School District) as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### **Compliance and Other Matters**

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

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated December 28, 2012.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

**Perry and Associates**  
Certified Public Accountants, A.C.

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

December 28, 2012

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140

To the Board of Education:

**Compliance**

We have audited the compliance of the **Madison Plains Local School District**, Madison County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Audit Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures 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 School District's compliance with these requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### **Internal Control over Compliance**

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster: School Breakfast Program – CFDA #10.553 & National School Lunch Program – CFDA #10.555 Title I Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 Education Jobs – CFDA #84.410
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

**MADISON PLAINS LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-1	Controls Related to Financial Reporting	Yes	

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

December 28, 2012

Madison Plains Local School District  
Madison County  
55 Linson Road SW  
London, Ohio 43140

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether **Madison Plains Local School District**, Madison County (the School 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. In the report dated December 20, 2011 we noted the Board had not amended its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying as required by Ohio Rev. Code 3313.666.
2. We noted the Board amended its anti-harassment policy during fiscal year 2012. We read the policy, noting it now includes all requirements listed in the Ohio Rev. Code 3313.666.

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.

Madison Plains Local School District  
Madison County  
Independent Accountants' Report on Applying Agreed-Upon Procedures  
Page 2

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.

Respectfully Submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." The signature is written in a cursive, flowing style.

**Perry and Associates**  
Certified Public Accountants, A.C.





# 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, 2013**