

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

AARON JOHNSON, TREASURER



Dave Yost • Auditor of State

Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Jonathan Alder Local School District, Madison County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Jonathan Alder Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

March 16, 2015

This page intentionally left blank.

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Net Position - Proprietary Fund	20
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund.....	21
Statement of Cash Flows - Proprietary Fund.....	22
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	23
Notes to the Basic Financial Statements.....	24 - 52
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	53
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	54 - 55
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	56 - 57
Schedule of Findings <i>OMB Circular A-133 § .505</i>	58



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Jonathan Alder Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Jonathan Alder Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Jonathan Alder Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Jonathan Alder Local School District, Madison County, Ohio, as of June 30, 2014, and the respective changes in the financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Jonathan Alder Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule 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 Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of the Jonathan Alder Local 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jonathan Alder Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 12, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the Jonathan Alder Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- Net position of governmental activities increased \$67,036 which represents a 0.19% increase from 2013.
- General revenues accounted for \$17,671,914 in revenue or 83.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,570,795 or 16.81% of total revenues of \$21,242,709.
- The District had \$21,175,673 in expenses related to governmental activities; \$3,570,795 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,671,914 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$17,496,817 in revenues and other financing sources and \$16,729,733 in expenditures and other financing uses. During fiscal year 2014, the general fund balance increased \$767,084 from a balance of \$614,702 to a balance of \$1,381,786.
- The bond retirement fund had revenues of \$1,949,564 and expenditures of \$1,801,274. The bond retirement fund balance increased \$148,290 from a balance of \$1,242,296 to a balance of \$1,390,586.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net position and statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 20-22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-52 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 12,786,269	\$ 12,005,758
Capital assets, net	<u>50,651,913</u>	<u>52,465,115</u>
Total assets	<u>63,438,182</u>	<u>64,470,873</u>
<u>Deferred outflows of resources</u>	<u>688,825</u>	<u>740,615</u>
<u>Liabilities</u>		
Current liabilities	2,640,946	2,852,073
Long-term liabilities	<u>21,309,250</u>	<u>22,295,702</u>
Total liabilities	<u>23,950,196</u>	<u>25,147,775</u>
<u>Deferred inflows of resources</u>	<u>5,380,053</u>	<u>5,333,991</u>
<u>Net Position</u>		
Net investment in capital assets	31,320,293	32,297,528
Restricted	1,792,514	1,884,677
Unrestricted	<u>1,683,951</u>	<u>547,517</u>
Total net position	<u>\$ 34,796,758</u>	<u>\$ 34,729,722</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$34,796,758.

At fiscal year-end, capital assets represented 79.84% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$31,320,293. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

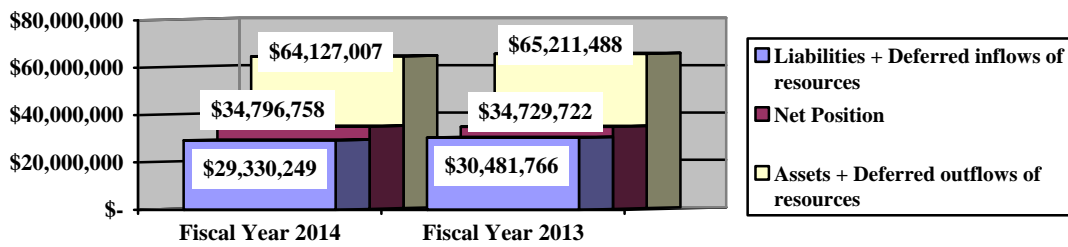
**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

A portion of the District's net position, \$1,792,514, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is of \$1,683,951. This increase can be attributed to an increase in cash balance from the prior year.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



The table below shows the change in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities 2014	Governmental Activities 2013
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,996,315	\$ 1,753,349
Operating grants and contributions	1,574,480	1,485,823
General revenues:		
Property taxes	7,583,902	7,928,581
Income taxes	2,143,175	2,134,492
Grants and entitlements	7,824,684	7,920,703
Investment earnings	27,861	9,299
Other	92,292	42,094
Total revenues	<u>21,242,709</u>	<u>21,274,341</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,345,309	\$ 9,387,349
Special	1,736,520	1,993,960
Vocational	-	74,449
Other	79,884	87,658
Support services:		
Pupil	891,113	1,380,496
Instructional staff	681,843	519,582
Board of education	133,038	129,168
Administration	1,645,390	1,699,641
Fiscal	365,345	692,469
Business	5,440	2,672
Operations and maintenance	2,135,730	1,650,367
Pupil transportation	1,223,578	1,136,179
Operation of non-instructional services:		
Non-instructional services	6,987	-
Food service operations	1,306,241	1,085,434
Extracurricular activities	680,819	637,836
Interest and fiscal charges	<u>938,436</u>	<u>943,682</u>
Total expenses	<u>21,175,673</u>	<u>21,420,942</u>
Change in net position	67,036	(146,601)
Net position at beginning of year	<u>34,729,722</u>	<u>34,876,323</u>
Net position at end of year	<u>\$ 34,796,758</u>	<u>\$ 34,729,722</u>

Governmental Activities

Net position of the District's governmental activities increased \$67,036. Total governmental expenses of \$21,175,673 were offset by program revenues of \$3,570,795 and general revenues of \$17,671,914. Program revenues supported 16.86% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 82.62% of total governmental revenue.

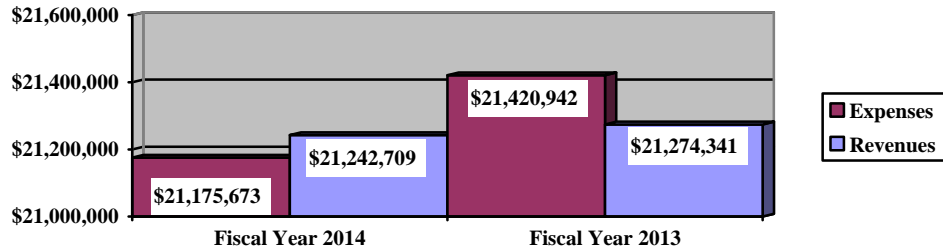
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,161,713 or 52.71% of total governmental expenses for fiscal year 2014.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2014 and 2013.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 9,345,309	\$ 7,992,862	\$ 9,387,349	\$ 8,136,725
Special	1,736,520	991,031	1,993,960	1,310,280
Vocational	-	-	74,449	66,190
Other	79,884	79,884	87,658	87,658
Support services:				
Pupil	891,113	749,792	1,380,496	1,212,042
Instructional staff	681,843	672,380	519,582	519,582
Board of education	133,038	133,038	129,168	129,168
Administration	1,645,390	1,547,035	1,699,641	1,620,670
Fiscal	365,345	365,345	692,469	692,469
Business	5,440	5,440	2,672	2,672
Operations and maintenance	2,135,730	2,125,002	1,650,367	1,646,570
Pupil transportation	1,223,578	1,218,336	1,136,179	1,113,070
Operation of non-instructional services:				
Other non-instructional services	6,987	6,987	-	-
Food service operations	1,306,241	492,174	1,085,434	296,161
Extracurricular activities	680,819	287,136	637,836	404,831
Interest and fiscal charges	938,436	938,436	943,682	943,682
Total expenses	<u>\$ 21,175,673</u>	<u>\$ 17,604,878</u>	<u>\$ 21,420,942</u>	<u>\$ 18,181,770</u>

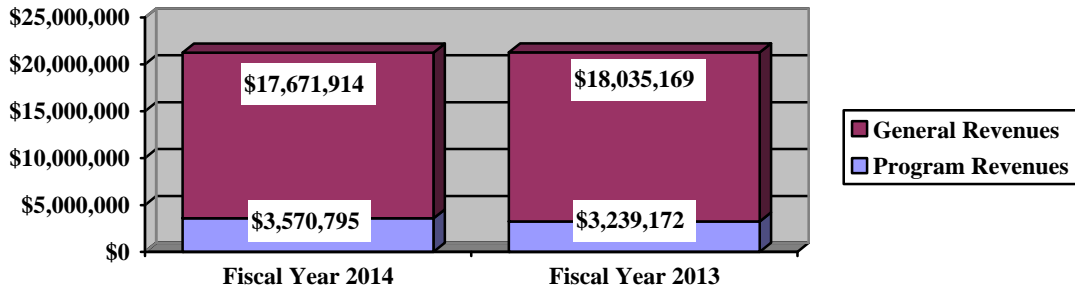
The dependence upon tax and other general revenues for governmental activities is apparent, as 81.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.14%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The graph below presents the District's governmental activities revenue for fiscal year 2014 and 2013.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,592,952, which is higher than last year's total of \$2,761,986. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,381,786	\$ 614,702	\$ 767,084	124.79 %
Bond retirement	1,390,586	1,242,296	148,290	11.94 %
Other governmental	<u>820,580</u>	<u>904,988</u>	<u>(84,408)</u>	(9.33) %
Total	<u>\$ 3,592,952</u>	<u>\$ 2,761,986</u>	<u>\$ 830,966</u>	30.09 %

The overall increase in fund balance is primarily due to a decrease in expenditures related to the completion of construction projects throughout the District associated with the Ohio Schools Facilities Commission.

General Fund

The District's general fund balance increased \$767,084. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below shows the revenues and expenditures of the general fund for fiscal years 2014 and 2013.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,835,813	\$ 7,818,797	\$ 17,016	0.22 %
Tuition	941,432	822,168	119,264	14.51 %
Earnings on investments	1,010	1,073	(63)	(5.87) %
Intergovernmental	7,985,615	7,512,161	473,454	6.30 %
Other revenues	<u>342,947</u>	<u>318,557</u>	<u>24,390</u>	7.66 %
Total	<u>\$ 17,106,817</u>	<u>\$ 16,472,756</u>	<u>\$ 634,061</u>	3.85 %
<u>Expenditures</u>				
Instruction	\$ 9,855,744	\$ 10,127,930	\$ (272,186)	(2.69) %
Support services	6,533,639	7,122,910	(589,271)	(8.27) %
Extracurricular activities	249,737	287,212	(37,475)	(13.05) %
Facilities acquisition and construction	<u>90,502</u>	<u>26,408</u>	<u>64,094</u>	242.71 %
Total	<u>\$ 16,729,622</u>	<u>\$ 17,564,460</u>	<u>\$ (834,838)</u>	(4.75) %

Overall revenues remained fairly consistent from prior year as the increase was only 3.85%. The increase in tuition revenue can be attributed to an increase in open enrollment from the prior year. Overall expenditures decreased \$834,838 or 4.75%. The decrease in instruction can be attributed to a decrease in the costs of the daily interaction between teachers and students. Support services decreased primarily due a decrease in pupil and instructional staff expenditures due to the District's efforts to control costs. The increase in facilities acquisition and construction is immaterial compared to total expenditures.

Bond Retirement Fund

The bond retirement fund had revenues of \$1,949,564 and expenditures of \$1,801,274. The bond retirement fund's fund balance increased \$148,290 from a balance of \$1,242,296 to a balance of \$1,390,586. The increase in fund balance can be attributed to property taxes exceeding debt payments during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$17,059,679 was increased to \$17,350,043 for the final budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal year 2014 were \$17,377,840. This represents a \$27,797 increase from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures and other financing uses) of \$16,705,217 were increased to \$16,941,111 in the final appropriations. The actual budget basis expenditures for fiscal year 2014 totaled \$16,903,660, which was \$37,451 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$50,651,913 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2014 balances compared to 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 741,758	\$ 741,758
Land improvements	1,367,288	1,572,174
Building and improvements	47,531,795	48,871,733
Furniture and equipment	365,056	464,934
Vehicles	646,016	814,516
Total	\$ 50,651,913	\$ 52,465,115

The overall decrease in capital assets of \$1,813,202 is due to capital outlays of \$18,580 being exceeded by depreciation expense of \$1,694,005 and disposals (net of accumulated depreciation) of \$137,777 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2014, the District had \$18,995,000 in general obligation bonds, \$443,248 in capital appreciation bonds, and \$176,000 in notes outstanding. Of this total, \$927,000 is due within one year and \$18,687,248 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2014	2013
General obligation bonds	\$ 18,995,000	\$ 19,925,000
Capital appreciation bonds	443,248	330,984
Notes payable	176,000	261,000
Total	\$ 19,614,248	\$ 20,516,984

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Current Financial Related Activities

Consistent with many school districts in Ohio, the District is forced to face the difficult challenges of maintaining the highest standards of service to the student and the community, while striving to remain financially solvent. An insufficient State funding system is mostly to blame.

The District implemented a reduction plan for fiscal year 2014 in response to the financial condition of the district. Sixteen positions were eliminated to help close the budget deficit. In May 2014, an additional earned income tax of .50% was approved by the voters. This additional earned income tax will begin January 2015.

The District just completed the final phase of a long-term building and renovation project. All District buildings are either relatively new or recently renovated.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Aaron Johnson, Treasurer, Jonathan Alder Local School District, 9200 US Route 42 South, Plain City, Ohio 43064

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,501,313
Receivables:	
Property taxes	8,162,819
Income taxes.	887,753
Accrued interest	768
Intergovernmental	224,263
Materials and supplies inventory.	9,353
Capital assets:	
Nondepreciable capital assets	741,758
Depreciable capital assets, net.	49,910,155
Capital assets, net	50,651,913
Total assets.	63,438,182
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	688,825
 Liabilities:	
Accounts payable.	67,663
Accrued wages and benefits payable	1,692,498
Pension obligation payable.	324,866
Intergovernmental payable	67,112
Accrued interest payable	105,157
Claims payable.	383,650
Long-term liabilities:	
Due within one year.	1,022,986
Due in more than one year.	20,286,264
Total liabilities	23,950,196
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year. . .	5,380,053
 Net position:	
Net investment in capital assets	31,320,293
Restricted for:	
Capital projects	290,420
Classroom facilities maintenance	252,037
Debt service.	969,518
Locally funded programs	960
State funded programs.	104,047
Federally funded programs	12,313
Student activities	87,739
Other purposes	75,480
Unrestricted	1,683,951
Total net position.	\$ 34,796,758

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 9,345,309	\$ 1,042,742	\$ 309,705	\$ (7,992,862)
Special	1,736,520	6,793	738,696	(991,031)
Other	79,884	-	-	(79,884)
Support services:				
Pupil	891,113	140,984	337	(749,792)
Instructional staff	681,843	-	9,463	(672,380)
Board of education	133,038	-	-	(133,038)
Administration	1,645,390	-	98,355	(1,547,035)
Fiscal	365,345	-	-	(365,345)
Business	5,440	-	-	(5,440)
Operations and maintenance	2,135,730	10,728	-	(2,125,002)
Pupil transportation	1,223,578	-	5,242	(1,218,336)
Operation of non-instructional services:				
Other non-instructional services	6,987	-	-	(6,987)
Food service operations	1,306,241	449,243	364,824	(492,174)
Extracurricular activities	680,819	345,825	47,858	(287,136)
Interest and fiscal charges	938,436	-	-	(938,436)
Total governmental activities	\$ 21,175,673	\$ 1,996,315	\$ 1,574,480	(17,604,878)

General revenues:

Property taxes levied for:	
General purposes	5,598,903
Debt service	1,645,399
Capital outlay	200,344
Classroom facilities maintenance	139,256
School district income tax	2,143,175
Grants and entitlements not restricted to specific programs	7,824,684
Investment earnings	27,861
Miscellaneous	92,292
Total general revenues	17,671,914
Change in net position	67,036
Net position at beginning of year	34,729,722
Net position at end of year	\$ 34,796,758

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 786,257	\$ 861,794	\$ 791,173	\$ 2,439,224
Receivables:				
Property taxes.	5,994,068	1,802,984	365,767	8,162,819
Income taxes	887,753	-	-	887,753
Accrued interest	768	-	-	768
Interfund loans	146	-	-	146
Intergovernmental.	97,682	-	126,581	224,263
Materials and supplies inventory.	-	-	9,353	9,353
Due from other funds	39,524	-	-	39,524
Total assets	<u>\$ 7,806,198</u>	<u>\$ 2,664,778</u>	<u>\$ 1,292,874</u>	<u>\$ 11,763,850</u>
Liabilities:				
Accounts payable	\$ 60,834	\$ -	\$ 6,829	\$ 67,663
Accrued wages and benefits payable	1,554,352	-	138,146	1,692,498
Compensated absences payable	24,177	-	-	24,177
Interfund loans payable.	-	-	146	146
Intergovernmental payable	62,338	-	4,774	67,112
Pension obligation payable	298,746	-	26,120	324,866
Due to other funds	-	-	39,524	39,524
Total liabilities.	<u>2,000,447</u>	<u>-</u>	<u>215,539</u>	<u>2,215,986</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	3,936,520	1,201,848	241,685	5,380,053
Delinquent property tax revenue not available.	245,195	72,344	14,641	332,180
Income tax revenue not available	144,568	-	-	144,568
Intergovernmental revenue not available.	97,682	-	429	98,111
Total deferred inflows of resources	<u>4,423,965</u>	<u>1,274,192</u>	<u>256,755</u>	<u>5,954,912</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	9,353	9,353
Restricted:				
Debt service	-	1,390,586	-	1,390,586
Capital improvements	-	-	275,779	275,779
Classroom facilities maintenance	-	-	252,037	252,037
Food service operations	-	-	81,989	81,989
Special education	-	-	4,699	4,699
Targeted academic assistance	-	-	31,526	31,526
Other purposes.	-	-	106,389	106,389
Extracurricular activities	-	-	87,739	87,739
Committed:				
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	11,054	-	-	11,054
Student and staff support.	214,151	-	-	214,151
Extracurricular activities	62	-	-	62
Subsequent year's appropriations	24,762	-	-	24,762
Unassigned (deficit).	1,120,757	-	(28,931)	1,091,826
Total fund balances	<u>1,381,786</u>	<u>1,390,586</u>	<u>820,580</u>	<u>3,592,952</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,806,198</u>	<u>\$ 2,664,778</u>	<u>\$ 1,292,874</u>	<u>\$ 11,763,850</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$	3,592,952
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			50,651,913
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	332,180	
Income taxes receivable		144,568	
Intergovernmental receivable		98,111	
Total		574,859	574,859
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 on the statement of net position.			678,439
Unamortized premiums on bonds issued are not recognized in the funds.			(794,452)
Unamortized deferred charges on debt refundings are not recognized in the funds.			688,825
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(105,157)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(19,438,248)	
Compensated absences		(876,373)	
Notes payable		(176,000)	
Total		(20,490,621)	(20,490,621)
Net position of governmental activities		\$	34,796,758

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,686,326	\$ 1,683,407	\$ 345,293	\$ 7,715,026
Income taxes	2,149,487	-	-	2,149,487
Tuition	941,432	-	4,800	946,232
Earnings on investments	1,010	-	26,851	27,861
Charges for services	-	-	449,243	449,243
Extracurricular	140,984	-	345,825	486,809
Classroom materials and fees	103,303	-	-	103,303
Rental income	10,728	-	-	10,728
Contributions and donations	555	-	21,379	21,934
Other local revenues	87,377	-	52,773	140,150
Intergovernmental - state	7,985,615	266,157	76,924	8,328,696
Intergovernmental - federal	-	-	1,040,462	1,040,462
Total revenues	<u>17,106,817</u>	<u>1,949,564</u>	<u>2,363,550</u>	<u>21,419,931</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,324,768	-	281,556	8,606,324
Special	1,450,776	-	284,432	1,735,208
Other	80,200	-	-	80,200
Support services:				
Pupil	924,254	-	274	924,528
Instructional staff	649,052	-	34,753	683,805
Board of education	133,038	-	-	133,038
Administration	1,522,045	-	90,975	1,613,020
Fiscal	433,344	40,694	8,053	482,091
Business	5,440	-	-	5,440
Operations and maintenance	1,800,411	-	97,011	1,897,422
Pupil transportation	1,066,055	-	-	1,066,055
Operation of non-instructional services:				
Other operation of non-instructional services	-	-	6,987	6,987
Food service operations	-	-	883,889	883,889
Extracurricular activities	249,737	-	326,010	575,747
Facilities acquisition and construction	-	-	44,129	44,129
Debt service:				
Principal retirement	85,000	930,000	-	1,015,000
Interest and fiscal charges	5,502	830,580	-	836,082
Total expenditures	<u>16,729,622</u>	<u>1,801,274</u>	<u>2,058,069</u>	<u>20,588,965</u>
Excess of revenues over expenditures	377,195	148,290	305,481	830,966
Other financing sources (uses):				
Transfers in	390,000	-	111	390,111
Transfers (out)	(111)	-	(390,000)	(390,111)
Total other financing sources (uses)	<u>389,889</u>	<u>-</u>	<u>(389,889)</u>	<u>-</u>
Net change in fund balances	767,084	148,290	(84,408)	830,966
Fund balances at beginning of year	614,702	1,242,296	904,988	2,761,986
Fund balances at end of year	<u>\$ 1,381,786</u>	<u>\$ 1,390,586</u>	<u>\$ 820,580</u>	<u>\$ 3,592,952</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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, 2014

Net change in fund balances - total governmental funds	\$	830,966
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 18,580	
Current year depreciation	(1,694,005)	
Total		(1,675,425)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(137,777)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(131,124)	
Income taxes	(6,312)	
Intergovernmental	46,559	
Total		(90,877)
Repayment of general obligation bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds and Notes	1,015,000	
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	3,695	
Accreted interest on capital appreciation bonds	(112,264)	
Amortization of bond premiums	58,005	
Amortization of deferred charges on debt refundings	(51,790)	
Total		(102,354)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		15,409
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		212,094
Change in net position of governmental activities	\$	67,036

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 5,533,740	\$ 5,627,925	\$ 5,624,078	\$ (3,847)
Income taxes.	2,130,181	2,166,438	2,166,278	(160)
Tuition.	925,577	941,331	941,432	101
Earnings on investments	876	891	812	(79)
Classroom materials and fees	102,468	104,212	103,303	(909)
Rental income	11,450	11,645	10,728	(917)
Other local revenues	47,689	48,501	93,859	45,358
Intergovernmental - state	7,862,681	7,996,508	7,985,615	(10,893)
Total revenues	16,614,662	16,897,451	16,926,105	28,654
Expenditures:				
Current:				
Instruction:				
Regular	8,173,224	8,420,119	8,419,505	614
Special.	1,285,010	1,460,763	1,455,589	5,174
Vocational.	12,251	10,285	10,244	41
Other.	77,132	79,804	79,828	(24)
Support services:				
Pupil.	1,094,424	906,632	905,831	801
Instructional staff	662,133	690,925	690,329	596
Board of education	137,394	143,099	143,101	(2)
Administration.	1,601,136	1,501,937	1,496,471	5,466
Fiscal	552,083	448,312	443,998	4,314
Business	8,760	5,615	5,615	-
Operations and maintenance.	1,655,776	1,828,908	1,828,539	369
Pupil transportation	983,820	1,076,611	1,075,058	1,553
Extracurricular activities.	250,425	248,734	248,746	(12)
Debt service:				
Principal	81,381	85,000	85,000	-
Interest and fiscal charges.	5,268	5,502	5,502	-
Total expenditures	16,580,217	16,912,246	16,893,356	18,890
Excess (deficiency) of revenues over (under) expenditures.	34,445	(14,795)	32,749	47,544
Other financing sources (uses):				
Refund of prior year's expenditures	61,544	62,592	61,735	(857)
Refund of prior year's receipts.	(10,000)	(10,193)	(10,193)	-
Transfers in	383,473	390,000	390,000	-
Transfers (out).	(75,000)	(500)	(111)	389
Advances (out)	(40,000)	(18,172)	-	18,172
Total other financing sources (uses)	320,017	423,727	441,431	17,704
Net change in fund balance	354,462	408,932	474,180	65,248
Fund balance at beginning of year	68,897	68,897	68,897	-
Prior year encumbrances appropriated	30,149	30,149	30,149	-
Fund balance at end of year	\$ 453,508	\$ 507,978	\$ 573,226	\$ 65,248

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2014

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,062,089
Total assets.	<u>1,062,089</u>
Liabilities:	
Claims payable	<u>383,650</u>
Total liabilities	<u>383,650</u>
Net position:	
Unrestricted.	<u>678,439</u>
Total net position.	<u><u>\$ 678,439</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 2,512,522
Total operating revenues	<u>2,512,522</u>
 Operating expenses:	
Purchased services	446,102
Claims	<u>1,854,326</u>
Total operating expenses	<u>2,300,428</u>
 Operating income	 <u>212,094</u>
 Change in net position	 212,094
 Net position at beginning of year	 <u>466,345</u>
 Net position at end of year	 <u><u>\$ 678,439</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services.	\$ 2,512,522
Cash payments for purchased services.	(446,102)
Cash payments for claims	<u>(1,871,685)</u>
Net cash provided by operating activities	<u>194,735</u>
Net increase in cash and cash equivalents	194,735
Cash and cash equivalents at beginning of year . . .	<u>867,354</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,062,089</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 212,094
Changes in liabilities: Decrease in claims payable	<u>(17,359)</u>
Net cash provided by operating activities.	<u><u>\$ 194,735</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
JUNE 30, 2014

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 207,174
Total assets.	<u>\$ 207,174</u>
Liabilities:	
Due to students.	\$ 207,174
Total liabilities	<u>\$ 207,174</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

It is staffed by 75 non-certified employees and 139 certified full-time teaching personnel who provide services to 2,285 students and other community members. The District currently operates five instructional buildings and a bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Tolles Career and Technical Center

The Tolles Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Pam Orr, Treasurer, at 7877 U.S. Route 42 South, Plain City, Ohio 43064.

INSURANCE PURCHASING POOL

Ohio School Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities and a flexible spending account.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows of resources, current liabilities and current deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2014 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for tax rate determination. The Madison County Commissioners waived this requirement for fiscal year 2014.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. By July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2014; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2014, the District had no investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$1,010 including \$840 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

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

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives:

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund 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, compensated absences and claims payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized on the fund financial statements when due.

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. The District had no prepayments at June 30, 2014.

O. Estimates

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

P. Interfund Activity

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2014.

R. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
IDEA preschool grant for the handicapped	\$ 49
Classroom facilities	28,882

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the IDEA grant for the handicapped resulted from adjustments for accrued liabilities. The classroom facilities fund ended the year with a negative cash balance.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$3,708,487. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$2,679,720 of the District's bank balance of \$3,815,821 was exposed to custodial risk as discussed below, while \$1,136,101 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2014, the District had no investments.

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	<u>\$ 3,708,487</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,501,313
Agency fund	<u>207,174</u>
Total	<u>\$ 3,708,487</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Amounts due to and from other funds at June 30, 2014 as reported on the fund statements, consist of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 39,524</u>

The primary purpose of the amounts due to and from other funds is to cover negative cash balances in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Amounts due to and from other funds between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund balances at June 30, 2014 as reported on the fund statements consist of the following interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 146</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- C.** Interfund transfers for the year ended June 30, 2014, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers from the general fund to:</u>	
Nonmajor governmental fund	\$ 111
<u>Transfers from nonmajor governmental funds to:</u>	
General fund	<u>390,000</u>
 Total	 <u>\$ 390,111</u>

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

In a prior fiscal year, the District transferred \$450,000 from the general fund to the permanent improvement fund (a nonmajor governmental fund). Due to the general fund's depletion of fund balance, the District transferred back a portion of this to help cover everyday operations. This amount totaled \$390,000 and is reflected in the chart above as well as the financial statements. The District received court approval to transfer the monies from the permanent improvement fund to the general fund as there were no required indebtedness, interest or other obligations outstanding. The general fund transferred \$111 to the miscellaneous state grant nonmajor governmental fund. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Union, Madison and Franklin Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,812,353 in the general fund, \$528,792 in the bond retirement fund and \$109,441 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$1,750,105 in the general fund, \$576,717 in the bond retirement fund and \$105,693 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAX - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 299,815,850	97.46	\$ 300,267,650	97.29
Public utility personal	<u>7,811,660</u>	<u>2.54</u>	<u>8,378,990</u>	<u>2.71</u>
Total	<u>\$ 307,627,510</u>	<u>100.00</u>	<u>\$ 308,646,640</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 38.30		\$ 37.60	

NOTE 7 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on November 7, 2006, and was in effect for five years. In May 2011, the voters renewed the .75 percent income tax for another five years. In May 2014, an additional earned income tax of 0.50% was approved by the voters. This additional earned income tax will begin January 2015. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue for fiscal year 2014 totaled \$2,149,487 and is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2014, consisted of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 8,162,819
Income taxes	887,753
Accrued interest	768
Intergovernmental	<u>224,263</u>
Total	<u>\$ 9,275,603</u>

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance June 30, 2013	Additions	Deductions	Balance June 30, 2014
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 741,758	\$ -	\$ -	\$ 741,758
Total capital assets, not being depreciated	<u>741,758</u>	<u>-</u>	<u>-</u>	<u>741,758</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,267,843	-	(153,530)	3,114,313
Buildings and improvements	66,012,267	-	(577,307)	65,434,960
Furniture and equipment	1,132,127	18,580	(190,483)	960,224
Vehicles	<u>1,952,200</u>	<u>-</u>	<u>-</u>	<u>1,952,200</u>
Total capital assets, being depreciated	<u>72,364,437</u>	<u>18,580</u>	<u>(921,320)</u>	<u>71,461,697</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(1,695,669)	(141,706)	90,350	(1,747,025)
Buildings and improvements	(17,140,534)	(1,300,716)	538,085	(17,903,165)
Furniture and equipment	(667,193)	(83,083)	155,108	(595,168)
Vehicles	<u>(1,137,684)</u>	<u>(168,500)</u>	<u>-</u>	<u>(1,306,184)</u>
Total accumulated depreciation	<u>(20,641,080)</u>	<u>(1,694,005)</u>	<u>783,543</u>	<u>(21,551,542)</u>
Governmental activities capital assets, net	<u>\$ 52,465,115</u>	<u>\$ (1,675,425)</u>	<u>\$ (137,777)</u>	<u>\$ 50,651,913</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 703,245
<u>Support Services:</u>	
Administration	86,038
Operations and maintenance	217,321
Pupil transportation	170,533
Extracurricular activities	103,511
Food service operations	<u>413,357</u>
Total depreciation expense	<u>\$ 1,694,005</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance Outstanding June 30, 2013	Additions	Reductions	Balance Outstanding June 30, 2014	Amounts Due in One Year
Governmental activities:					
<u>General Obligation Bonds:</u>					
Series 2002 school improvement	\$ 1,650,000	\$ -	\$ (870,000)	\$ 780,000	\$ 780,000
Series 2006 refunding	9,171,899	65,782	(35,000)	9,202,681	35,000
Series 2007 refunding	9,434,085	46,482	(25,000)	9,455,567	25,000
Total general obligation bonds	<u>20,255,984</u>	<u>112,264</u>	<u>(930,000)</u>	<u>19,438,248</u>	<u>840,000</u>
<u>Other Long-Term Obligations:</u>					
Notes payable - Series 2013	261,000	-	(85,000)	176,000	87,000
Compensated absences	926,261	115,565	(141,276)	900,550	95,986
Total other long-term liabilities	<u>1,187,261</u>	<u>115,565</u>	<u>(226,276)</u>	<u>1,076,550</u>	<u>182,986</u>
Total	<u>\$ 21,443,245</u>	<u>\$ 227,829</u>	<u>\$ (1,156,276)</u>	20,514,798	<u>\$ 1,022,986</u>
Add: unamortized premium				<u>794,452</u>	
Total long-term liabilities				<u>\$ 21,309,250</u>	

General Obligation Bonds: See Note 10.B.-10.D. for more details.

Notes Payable - Series 2013: See Note 10.E. for more details.

Compensated Absences: Compensated absences represent accumulated vacation and an estimated sick leave liability for employees both eligible to retire and those expected to become eligible in the future. Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

- B. Series 2002 School Improvement General Obligation Bonds: During fiscal year 2003, the District issued voted \$25,000,000 in school improvement general obligation bonds to provide funds for the acquisition and construction of equipment and facilities. During fiscal year 2008, \$9,450,000 of the callable portion of the bonds were advance refunded. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these bonds are recorded as expenditures in the bond retirement fund. The source of repayment is derived from a current 8.50 mil bonded debt tax levy.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2014 on the Series 2002 school improvement general obligation bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds - Series 2002	\$ 1,650,000	\$ -	\$ (870,000)	\$ 780,000
Total G.O. bonds	<u>\$ 1,650,000</u>	<u>\$ -</u>	<u>\$ (870,000)</u>	<u>\$ 780,000</u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Series 2002 Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 780,000</u>	<u>\$ 462,365</u>	<u>\$ 1,242,365</u>

- C. *Series 2006 Refunding General Obligation Bonds* - In November 2006, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 2002 School Improvement General Obligation Bonds (principal \$9,180,000; interest rate of 4.25% to 5.0%). The issuance proceeds of \$9,179,997 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds was \$14,840,000 at June 30, 2014.

The refunding issue is comprised of both current interest bonds, par value \$9,150,000, and capital appreciation bonds, par value \$29,997. The average interest rate on the current interest bonds is 4.0%. The capital appreciation bonds mature December 1, 2016, (approximate initial offering yield at maturity of 4.00%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$540,000. Total accreted interest on the capital appreciation bonds of \$232,684 has been included as long-term liabilities on the statement of net position at June 30, 2014.

The reacquisition price exceeded the net carrying amount of the old debt by \$591,246. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Payments of principal and interest relating to the Series 2006 refunding bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2030.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2014 on the Series 2006 refunding general obligation bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
Series 2006	\$ 8,975,000	\$ -	\$ (35,000)	\$ 8,940,000
Capital appreciation bonds -				
Series 2006	29,997	-	-	29,997
Capital appreciation bonds -				
Accreted interest	<u>166,902</u>	<u>65,782</u>	<u>-</u>	<u>232,684</u>
Total G.O. bonds	<u>\$ 9,171,899</u>	<u>\$ 65,782</u>	<u>\$ (35,000)</u>	<u>\$ 9,202,681</u>

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

<u>Fiscal</u> <u>Year Ended</u>	<u>Series 2006 Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 35,000	\$ 386,613	\$ 421,613	\$ -	\$ -	\$ -
2016	40,000	385,112	425,112	-	-	-
2017	-	384,313	384,313	29,997	510,003	540,000
2018	20,000	383,887	403,887	-	-	-
2019	20,000	383,038	403,038	-	-	-
2020 - 2024	105,000	1,902,331	2,007,331	-	-	-
2025 - 2029	5,570,000	1,423,720	6,993,720	-	-	-
2030 - 2031	<u>3,150,000</u>	<u>139,344</u>	<u>3,289,344</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,940,000</u>	<u>\$ 5,388,358</u>	<u>\$ 14,328,358</u>	<u>\$ 29,997</u>	<u>\$ 510,003</u>	<u>\$ 540,000</u>

- D. *Series 2007 Refunding General Obligation Bonds*** - On October 10, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2002 Current Interest General Obligation Bonds (principal \$9,450,000; interest rate of 4.25% to 5.0%). The issuance proceeds of \$9,449,996 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds was \$9,450,000 at June 30, 2014.

The refunding issue is comprised of both current interest bonds, par value \$9,425,000, and capital appreciation bonds, par value \$24,996. The average interest rate on the current interest bonds is 4.0%. The capital appreciation bonds mature December 1, 2016, (approximate initial offering yield at maturity of 4.04%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity of the capital appreciation bonds is \$380,000. Total accreted interest on the capital appreciation bonds of \$155,571 has been included as long-term liabilities on the statement of net position at June 30, 2014.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$466,479. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Payments of principal and interest relating to the Series 2007 refunding bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2024.

The following is a schedule of activity for fiscal year 2014 on the Series 2007 refunding general obligation bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
Series 2007	\$ 9,300,000	\$ -	\$ (25,000)	\$ 9,275,000
Capital appreciation bonds -				
Series 2007	24,996	-	-	24,996
Capital appreciation bonds -				
Accreted interest	<u>109,089</u>	<u>46,482</u>	<u>-</u>	<u>155,571</u>
Total G.O. bonds	<u>\$ 9,434,085</u>	<u>\$ 46,482</u>	<u>\$ (25,000)</u>	<u>\$ 9,455,567</u>

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

Fiscal Year Ended	Series 2007 Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 25,000	\$ 394,013	\$ 419,013	\$ -	\$ -	\$ -
2016	845,000	376,113	1,221,113	-	-	-
2017	-	358,713	358,713	24,996	355,004	380,000
2018	900,000	336,213	1,236,213	-	-	-
2019	945,000	293,631	1,238,631	-	-	-
2020 - 2024	5,355,000	832,756	6,187,756	-	-	-
2025	<u>1,205,000</u>	<u>25,603</u>	<u>1,230,603</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,275,000</u>	<u>\$ 2,617,042</u>	<u>\$ 11,892,042</u>	<u>\$ 24,996</u>	<u>\$ 355,004</u>	<u>\$ 380,000</u>

- E. Notes Payable - Series 2013** - During fiscal year 2013, the District issued notes in the amount of \$261,000 for the purchase of school buses. Payments of principal and interest relating to the Series 2013 notes are recorded as expenditures in the general fund. The notes mature on February 1, 2016 and bear an interest rate of 2.15%. Principal and interest payments are due February 1 of each year.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future debt service requirements to maturity for the Series 2013 notes:

Fiscal Year Ended	Notes Payable - Series 2013		
	Principal	Interest	Total
2015	\$ 87,000	\$ 3,784	\$ 90,784
2016	89,000	1,914	90,914
Total	<u>\$ 176,000</u>	<u>\$ 5,698</u>	<u>\$ 181,698</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$10,173,784 (including available funds of \$1,390,586) and an unvoted debt margin of \$308,647.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

During fiscal year 2014, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (See Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Hylant Administrative Services, LLC. The following is the District's insurance coverage:

Total policy coverage - includes the following:

Property limit (\$1,000 deductible)	\$84,038,608
Boiler and Machinery (\$1,000 deductible)	84,038,608
Automobile liability (\$1,000 deductible)	4,000,000
Uninsured/underinsured motorist	50,000
Medical payments	5,000
Public Employee Dishonesty	100,000
General school district liability	
Per occurrence	4,000,000
Total per year	6,000,000

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - RISK MANAGEMENT - (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Workers' Compensation Plan

The District participates in a group rating plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. CompManagement provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Health and Dental Insurance

For fiscal year 2014, the District offered health insurance benefits to employees through a self-funded health reimbursement insurance program. Dental insurance program is with the OASIS Trust. Activity related to the self-insurance program is recorded in an internal service fund. The District maintains its self-insurance program for insurance benefits with Anthem (a third-party administrator). The District has elected to maintain the funds within the District; however, monthly premiums (both employee and employer) portions are paid out of the respective employee funds and paid into the self-insurance fund. The third-party administrator processes the claims which are approved by the District Treasurer. Monies are then transferred to a clearing account and claims are paid.

The claims liability of \$383,650 reported in the internal service fund at June 30, 2014, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2014	\$ 401,009	\$ 1,854,326	\$ (1,871,685)	\$ 383,650
2013	314,915	1,760,557	(1,674,463)	401,009

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$278,882, \$308,620 and \$302,015, respectively; 79.45 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - PENSION PLANS - (Continued)

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,086,528, \$1,152,814 and \$1,136,185, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$80,640 made by the District and \$63,360 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 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 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$40,288, \$36,658 and \$45,160, respectively; 79.45 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,179, \$17,434 and \$17,836, respectively; 79.45 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$83,579, \$88,678 and \$87,399, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 474,180
Net adjustment for revenue accruals	39,173
Net adjustment for expenditure accruals	162,423
Net adjustment for other financing sources/uses	(51,542)
Funds budgeted elsewhere	28,148
Adjustment for encumbrances	114,702
GAAP basis	\$ 767,084

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	373,312
Current year offsets	<u>(373,312)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 109,688
Nonmajor governmental funds	<u>56,524</u>
Total	<u>\$ 166,212</u>

SUPPLEMENTARY DATA

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2014	\$ 57,043	\$ 57,043
(D) (E) National School Lunch Program	10.555	2014	254,694	254,694
(C) (D) National School Lunch Program - Food Donation	10.555	2014	46,954	46,954
Total National School Lunch Program			301,648	301,648
Total Child Nutrition Grant Cluster			358,691	358,691
State Administrative Expenses for Child Nutrition	10.560	2013	-	6,987
Total U.S. Department of Agriculture			358,691	365,678
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2013	50,319	28,675
Title I Grants to Local Educational Agencies	84.010	2014	175,411	177,309
Total Title I Grants to Local Educational Agencies			225,730	205,984
Special Education Grant Cluster:				
(F) Special Education_Grants to States	84.027	2013	54,169	54,772
(F) Special Education_Grants to States	84.027	2014	305,187	312,607
Total Special Education _Grants to States			359,356	367,379
(F) Special Education_Preschool Grants	84.173	2014	8,882	8,882
Total Special Education Grant Cluster			368,238	376,261
Improving Teacher Quality State Grants	84.367	2013	5,065	5,065
Improving Teacher Quality State Grants	84.367	2014	37,955	38,279
Total Improving Teacher Quality State Grants			43,021	43,344
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2013	-	66
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act	84.395A	2014	21,718	23,045
ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top - Resident Educator, Recovery Act	84.395A	2014	1,400	1,400
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Race to the Top, Recovery Act			23,118	24,511
Total U.S. Department of Education			660,107	650,100
Total Federal Financial Assistance			\$ 1,018,797	\$ 1,015,778

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonathan Alder Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Jonathan Alder Local School District's basic financial statements and have issued our report thereon dated December 12, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Jonathan Alder Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Jonathan Alder Local School District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Jonathan Alder Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Jonathan Alder Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Jonathan Alder Local 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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Jonathan Alder Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Jonathan Alder Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 12, 2014



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Jonathan Alder Local School District's compliance with the applicable 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 Jonathan Alder Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Jonathan Alder Local School District's major federal programs.

Management's Responsibility

The Jonathan Alder Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Jonathan Alder Local School District's compliance for each of the Jonathan Alder Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Jonathan Alder Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Jonathan Alder Local School District's major programs. However, our audit does not provide a legal determination of the Jonathan Alder Local School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jonathan Alder Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

Board of Education
Jonathan Alder Local School District

Report on Internal Control Over Compliance

The Jonathan Alder Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Jonathan Alder Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Jonathan Alder Local 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
December 12, 2014

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.173; Special Education Grant Cluster: Special Education Grants to States, CFDA #84.027 and Special Education Preschool Grants, CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 26, 2015**