

Jefferson Area Local School District

**Basic Financial Statements
June 30, 2009**



Dave Yost • Auditor of State

January 20, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Education
Jefferson Area Local School District
45 East Satin Street
Jefferson, Ohio 44047

We have reviewed the *Independent Auditors' Report* of the Jefferson Area Local School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2008 through June 30, 2009. 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 Jefferson Area Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 7, 2011

Jefferson Area Local School District

For The Year Ended June 30, 2009

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Jefferson Area Local School District

For The Year Ended June 30, 2009

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Independent Auditors' Report

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2009, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21, during the year ended June 30, 2009, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA on Auditing Standards*.

Board of Education
Jefferson Area Local School District

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Panichi, Inc.

Cleveland, Ohio
December 3, 2010

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Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets decreased by \$365,729, which represents a decrease of less than one percent from fiscal year 2008.
- Revenues for governmental activities totaled \$19,429,685 in fiscal year 2009. Of this total, 90.6 percent consisted of general revenues while program revenues accounted for the balance of 9.4 percent.
- Program expenses totaled \$19,795,414. Instructional expenses made up 55.8 percent of this total while support services accounted for 32.5 percent. Other expenses rounded out the remaining 11.7 percent.
- The District's major governmental funds are the general fund and the building and classroom facilities capital projects funds. The general fund had \$15,574,068 in revenues and \$15,492,113 in expenditures. During fiscal year 2009, the general fund's fund balance increased \$82,287 from \$3,417,510 to \$3,499,797.
- The District's other major governmental funds are the building and classroom facilities capital projects funds. The building fund had no revenues and \$5,321,937 in expenditures. The building fund balance decreased \$5,321,937 during fiscal year 2009. The classroom facilities fund had \$5,803,229 in revenues and \$12,072,856 in expenditures. The classroom facilities fund balance decreased \$6,269,627 during fiscal year 2009.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Jefferson Area Local School District, the general fund and the building and classroom facilities capital projects funds are the most significant.

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Fiduciary Funds The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in private purpose trust and agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

Table 1
Net Assets
Governmental Activities

	2009	2008	Change
Assets			
Current and Other Assets	\$29,052,814	\$45,056,447	(\$16,003,633)
Capital Assets	45,305,654	29,300,017	16,005,637
<i>Total Assets</i>	<u>74,358,468</u>	<u>74,356,464</u>	<u>2,004</u>
Liabilities			
Current Liabilities	7,078,432	6,608,549	469,883
Long-Term Liabilities			
Due within One Year	894,100	488,732	405,368
Due in More than One Year	21,394,467	21,901,985	(507,518)
<i>Total Liabilities</i>	<u>29,366,999</u>	<u>28,999,266</u>	<u>367,733</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	24,580,259	8,341,269	16,238,990
Restricted	18,879,683	35,379,934	(16,500,251)
Unrestricted	1,531,527	1,635,995	(104,468)
<i>Total Net Assets</i>	<u>\$44,991,469</u>	<u>\$45,357,198</u>	<u>(\$365,729)</u>

Total assets increased by \$2,004. This increase can be attributed to an increase in capital assets due to the construction in progress on the District's new school buildings.

Total liabilities increased by \$367,733. The majority of this increase was due to increases in accounts payable and retainage payable related to the District's construction project.

By comparing assets and liabilities, one can see the overall position of the School District has slightly decreased as evidenced by the decrease in net assets of \$365,729.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$17,594,565 or 90.6 percent of the total revenue. The most significant portion of general revenue for fiscal year 2009 was grants received from the Ohio School Facilities Commission, followed by property taxes. The amount of revenue received in the form of program revenues was \$1,835,120.

Jefferson Area Local School District
Ashtabula County, Ohio

*Management's Discussion and Analysis
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Unaudited*

Table 2 shows the changes in net assets for fiscal year 2009.

Table 2
Change in Net Assets
Governmental Activities

	2009	2008	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,033,846	\$1,005,410	\$28,436
Operating Grants and Contributions	775,763	744,635	31,128
Capital Grants and Contributions	25,511	0	25,511
<i>Total Program Revenues</i>	<u>1,835,120</u>	<u>1,750,045</u>	<u>85,075</u>
General Revenues			
Property Taxes	7,057,312	7,404,539	(347,227)
Intergovernmental	9,840,405	27,774,927	(17,934,522)
Investment Earnings	455,382	1,260,656	(805,274)
Miscellaneous	241,466	261,509	(20,043)
<i>Total General Revenues</i>	<u>17,594,565</u>	<u>36,701,631</u>	<u>(19,107,066)</u>
<i>Total Revenues</i>	<u>19,429,685</u>	<u>38,451,676</u>	<u>(19,021,991)</u>
Program Expenses			
Current:			
Instruction	11,040,307	9,796,705	1,243,602
Support Services:			
Pupils	1,360,896	1,434,494	(73,598)
Instructional Staff	137,576	118,304	19,272
Board of Education	22,094	18,359	3,735
Administration	1,104,469	998,870	105,599
Fiscal	623,615	657,272	(33,657)
Business	10,526	12,256	(1,730)
Operation and Maintenance of Plant	1,860,326	1,791,903	68,423
Pupil Transportation	1,233,269	1,280,732	(47,463)
Central	80,713	65,572	15,141
Operation of Non-Instructional Services	181,238	103,827	77,411
Operation of Food Services	766,381	736,664	29,717
Extracurricular Activities	434,756	431,745	3,011
Interest and Fiscal Charges	939,248	943,847	(4,599)
<i>Total Program Expenses</i>	<u>19,795,414</u>	<u>18,390,550</u>	<u>1,404,864</u>
<i>Increase in Net Assets</i>	(365,729)	20,061,126	(20,426,855)
Net Assets Beginning of Year	45,357,198	25,296,072	20,061,126
<i>Net Assets End of Year</i>	<u>\$44,991,469</u>	<u>\$45,357,198</u>	<u>(\$365,729)</u>

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Governmental Activities

Net assets of the District's governmental activities decreased \$365,729. Total governmental expenses of \$19,795,414 were offset by program revenues of \$1,835,120 and general revenues of \$17,594,565. Program revenues supported 9.4 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 87.0 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$11,040,307 or 55.8 percent of total governmental expenses for fiscal year 2009.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Total and Net Cost of Program Services
Governmental Activities

	2009		2008	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$9,284,988	\$8,890,926	\$8,331,299	\$7,878,031
Special	1,600,818	1,218,469	1,326,729	1,100,810
Vocational	154,501	148,408	138,677	133,817
Support Services:				
Pupils	1,360,896	1,303,441	1,434,494	1,373,576
Instructional Staff	137,576	106,692	118,304	90,041
Board of Education	22,094	21,222	18,359	17,715
Administration	1,104,469	1,057,271	998,870	957,524
Fiscal	623,615	600,485	657,272	635,530
Business	10,526	10,110	12,256	11,826
Operation and Maintenance of Plant	1,860,326	1,796,684	1,791,903	1,739,259
Pupil Transportation	1,233,269	1,164,990	1,280,732	1,241,479
Central	80,713	60,827	65,572	51,587
Operation of Non-Instructional Services	181,238	161,940	103,827	70,302
Food Service Operation	766,381	114,365	736,664	30,953
Extracurricular Activities	434,756	365,216	431,745	364,208
Interest and Fiscal Charges	939,248	939,248	943,847	943,847
<i>Total Expenditures</i>	<u>\$19,795,414</u>	<u>\$17,960,294</u>	<u>\$18,390,550</u>	<u>\$16,640,505</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 63 percent of instruction activities are supported through property taxes. The District's taxpayers, as a whole, are by far the primary support for the District's students.

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$24,689,661 to offset expenditures, excluding other financing uses, of \$36,284,979. The net change in fund balance for the year was most significant in the classroom facilities capital projects fund, which decreased \$6,269,627. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 65 percent and 28 percent respectively, of total governmental revenue. Clearly, the community is a great source of financial support for the students of the Jefferson Area Local School District.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$5,192,827 and \$15,755,075, respectively. Actual revenues for fiscal year 2009 were \$15,620,322, which were \$134,753 less than final budgeted revenues.

General fund original appropriations were \$4,343,166 and final appropriations were \$16,151,236. The actual budget basis expenditures for fiscal year 2009 totaled \$15,718,507, which was \$432,729 lower than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$45,305,654 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2009 balances compared to fiscal year 2008:

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

	2009	2008
Land	\$712,381	\$831,301
Construction in Progress	19,432,630	24,891,229
Land Improvements	21,667,525	225,194
Buildings and Improvements	1,238,277	1,999,120
Furniture and Equipment	1,040,376	425,808
Vehicles	1,214,465	927,365
<i>Total</i>	<u>\$45,305,654</u>	<u>\$29,300,017</u>

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

All capital assets, except land and construction in progress, are reported net of depreciation. The overall increase in capital assets of \$16,005,637 is due to District's construction in progress on its two new school buildings. Depreciation expense of \$1,131,523 and net asset deletions of \$743,296 only partially offset capital outlays of \$17,880,456 during the fiscal year, resulting in the overall increase in capital assets. For more information about the School District's capital assets, see Note 8 to the basic financial statements.

Debt

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

Table 5
Outstanding Debt at Year End

	<u>2009</u>	<u>2008</u>
Ohio School Facilities Bonds	\$19,561,507	\$19,991,277
Capital Appreciation Bonds	689,979	689,979
Accretion on Capital Appreciation Bonds	213,839	153,465
1998 Energy Conservation Note	200,000	245,000
Bus Purchase Loan	<u>273,909</u>	<u>32,492</u>
<i>Total</i>	<u><u>\$20,939,234</u></u>	<u><u>\$21,112,213</u></u>

Of the total outstanding debt, \$813,909 is due within one year and the rest is due within more than one year. For more information about the School District's debt, see Note 14 to the basic financial statements.

Current Financial Issues

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast. The financial future of the School District is not without its challenges though. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to fund its operations. State level challenges continue to evolve as the State of Ohio determines the outcome of the Ohio Supreme Court case dealing with the unconstitutionality of the State's educational funding system. Although the School District relies heavily on its property taxpayers to support its operations, the community support for the schools is quite strong.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational funding system, one that was neither 'adequate' nor 'equitable'. Since 1997, the State has directed its additional financial support toward School Districts with little property tax wealth. In May 2001, the Ohio Supreme Court again, ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not 'equitable' nor 'adequate'. The court directed the Governor and the legislature to address the fundamental issue creating the inequities. Due to the unsettled issues in school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited*

The District addressed the challenge of developing an overall facilities plan by entering into an agreement with Ohio Schools Facilities Commission to construct new school buildings. Under the terms of the agreement, the District will construct two new elementary schools, one junior/senior high school and one auditorium. The total cost of this project will be shared by the District and the State of Ohio, with each paying a percentage amounting to 32 and 68 percent respectively for the elementary schools and 33 and 67 percent respectively for the junior/senior school. 100 percent of the cost of the auditorium will be paid by the School District. During fiscal year 2006, the District issued, and the voters passed, a nearly 21 million dollar bond issue to allow the District to pay for its share of the project.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Edward R. Williams, Treasurer, Jefferson Area Local School District, 45 East Satin Street, Jefferson, Ohio 44047-1416.

Jefferson Area Local School District

Ashtabula County, Ohio

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,515,015
Accrued Interest Receivable	710
Accounts Receivable	126
Intergovernmental Receivable	513,770
Property Taxes Receivable	7,759,430
Inventory Held for Resale	5,652
Materials and Supplies Inventory	9,407
Prepaid Items	41,982
Unamortized Bond Issuance Costs	199,302
Due from Other Funds	7,420
Nondepreciable Capital Assets	20,145,011
Depreciable Capital Assets, Net	25,160,643
<i>Total Assets</i>	<u>74,358,468</u>
Liabilities	
Accounts Payable	4,896
Accrued Wages and Benefits Payable	1,823,896
Contracts Payable	1,057,744
Retainage Payable	561,335
Intergovernmental Payable	436,160
Matured Compensated Absences Payable	55,949
Accrued Interest Payable	77,303
Deferred Revenue	3,061,149
Long-Term Liabilities:	
Due Within One Year	894,100
Due In More Than One Year	21,394,467
<i>Total Liabilities</i>	<u>29,366,999</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	24,580,259
Restricted for:	
Capital Projects	14,632,878
Debt Service	2,404,152
Other Purposes	661,026
Set-asides	1,180,388
Scholarships	1,239
Unrestricted	1,531,527
<i>Total Net Assets</i>	<u>\$44,991,469</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				
Current:				
Instruction:				
Regular	\$9,284,988	\$337,720	\$56,342	\$0
Special	1,600,818	45,017	337,332	0
Vocational	154,501	6,093	0	0
Support Services:				
Pupils	1,360,896	52,381	5,074	0
Instructional Staff	137,576	16,579	14,305	0
Board of Education	22,094	872	0	0
Administration	1,104,469	41,542	5,656	0
Fiscal	623,615	23,130	0	0
Business	10,526	416	0	0
Operation and Maintenance of Plant	1,860,326	63,642	0	0
Pupil Transportation	1,233,269	42,768	0	25,511
Central	80,713	2,542	17,344	0
Operation of Non-Instructional Services	181,238	19,298	0	0
Operation of Food Services	766,381	319,077	332,939	0
Extracurricular Activities	434,756	62,769	6,771	0
Interest and Fiscal Charges	939,248	0	0	0
<i>Total Governmental Activities</i>	<u>\$19,795,414</u>	<u>\$1,033,846</u>	<u>\$775,763</u>	<u>\$25,511</u>

General Revenues

Property Taxes Levied for:

General Purposes	5,272,356
Debt Service	1,349,848
Capital Outlay	279,853
Other Purposes	155,255
Grants and Entitlements not Restricted to Specific Programs	9,840,405
Investment Earnings	455,382
Miscellaneous	241,466

Total General Revenues 17,594,565

Change in Net Assets (365,729)

Net Assets Beginning of Year 45,357,198

Net Assets End of Year \$44,991,469

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2009

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,244,252	\$9,034,694	\$5,962,612	\$2,093,069	\$19,334,627
Accrued Interest Receivable	0	710	0	0	710
Accounts Receivable	126	0	0	0	126
Interfund Receivable	82,913	0	0	0	82,913
Intergovernmental Receivable	0	0	513,770	0	513,770
Property Taxes Receivable	5,633,900	0	0	2,125,530	7,759,430
Inventory Held for Resale	0	0	0	5,652	5,652
Materials and Supplies Inventory	0	0	0	9,407	9,407
Prepaid Items	41,982	0	0	0	41,982
Due from Other Funds	0	0	0	7,420	7,420
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	1,180,388	0	0	0	1,180,388
Total Assets	<u>\$9,183,561</u>	<u>\$9,035,404</u>	<u>\$6,476,382</u>	<u>\$4,241,078</u>	<u>\$28,936,425</u>
Liabilities					
Accounts Payable	\$4,896	\$0	\$0	\$0	\$4,896
Accrued Wages and Benefits Payable	1,696,455	0	0	127,441	1,823,896
Contracts Payable	0	643,362	414,382	0	1,057,744
Retainage Payable	0	86,209	475,126	0	561,335
Intergovernmental Payable	410,017	0	0	26,143	436,160
Matured Compensated Absences Payable	55,949	0	0	0	55,949
Interfund Payable	0	0	0	82,913	82,913
Deferred Revenue	3,516,447	0	513,770	613,963	4,644,180
Total Liabilities	<u>5,683,764</u>	<u>729,571</u>	<u>1,403,278</u>	<u>850,460</u>	<u>8,667,073</u>
Fund Balances					
Reserved for Encumbrances	235,404	7,281,048	3,953,251	8,763	11,478,466
Reserved for Textbooks	1,178,466	0	0	0	1,178,466
Reserved for Budget Stabilization	1,922	0	0	0	1,922
Reserved for Property Taxes	2,117,453	0	0	1,511,567	3,629,020
Unreserved:					
Designated for:					
Scholarships	0	0	0	1,043	1,043
Undesignated, Reported in:					
General Fund (Deficit)	(33,448)	0	0	0	(33,448)
Special Revenue Funds	0	0	0	648,881	648,881
Debt Service Funds	0	0	0	750,348	750,348
Capital Projects Funds	0	1,024,785	1,119,853	469,820	2,614,458
Permanent Fund	0	0	0	196	196
Total Fund Balances	<u>3,499,797</u>	<u>8,305,833</u>	<u>5,073,104</u>	<u>3,390,618</u>	<u>20,269,352</u>
Total Liabilities and Fund Balances	<u>\$9,183,561</u>	<u>\$9,035,404</u>	<u>\$6,476,382</u>	<u>\$4,241,078</u>	<u>\$28,936,425</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2009*

Total Governmental Fund Balances	\$20,269,352
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	45,305,654
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,069,261
School Facilities Monies	513,770
Total	1,583,031
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	199,302
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(77,303)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(18,670,000)
Premium on Bonds Issued	(891,507)
Capital Appreciation Bonds	(689,979)
Accretion on Capital Appreciation Bonds	(213,839)
Long-Term Notes	(200,000)
Long-Term Loans	(273,909)
Compensated Absences	(1,349,333)
Total	(22,288,567)
 <i>Net Assets of Governmental Activities</i>	 \$44,991,469

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$5,142,794	\$0	\$0	\$1,777,353	\$6,920,147
Tuition and Fees	613,275	0	0	24,095	637,370
Interest	22,528	0	427,983	4,871	455,382
Charges for Services	0	0	0	319,077	319,077
Extracurricular Activities	0	0	0	76,759	76,759
Rentals	640	0	0	0	640
Contributions and Donations	1,550	0	0	4,000	5,550
Intergovernmental	9,559,899	0	5,373,816	1,099,555	16,033,270
Miscellaneous	233,382	0	1,430	6,654	241,466
<i>Total Revenues</i>	<u>15,574,068</u>	<u>0</u>	<u>5,803,229</u>	<u>3,312,364</u>	<u>24,689,661</u>
Expenditures					
Current:					
Instruction:					
Regular	7,984,953	12,070	0	298,641	8,295,664
Special	1,136,361	0	0	367,612	1,503,973
Vocational	154,317	0	0	0	154,317
Support Services:					
Pupils	1,330,531	0	709,156	18,330	2,058,017
Instructional Staff	104,156	0	0	32,896	137,052
Board of Education	22,094	0	0	0	22,094
Administration	1,011,457	0	0	12,229	1,023,686
Fiscal	570,610	0	0	37,766	608,376
Business	10,526	0	0	0	10,526
Operation and Maintenance of Plant	1,573,962	0	0	63,814	1,637,776
Pupil Transportation	1,081,342	0	0	307,597	1,388,939
Central	64,395	0	0	16,318	80,713
Operation of Non-Instructional Services	74,376	0	0	21,787	96,163
Operation of Food Services	0	0	0	759,510	759,510
Extracurricular Activities	373,033	0	0	57,196	430,229
Capital Outlay	0	5,309,867	11,363,700	0	16,673,567
Debt Service:					
Principal Retirement	0	0	0	495,272	495,272
Interest and Fiscal Charges	0	0	0	909,105	909,105
<i>Total Expenditures</i>	<u>15,492,113</u>	<u>5,321,937</u>	<u>12,072,856</u>	<u>3,398,073</u>	<u>36,284,979</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>81,955</u>	<u>(5,321,937)</u>	<u>(6,269,627)</u>	<u>(85,709)</u>	<u>(11,595,318)</u>
Other Financing Sources (Uses)					
Proceeds of Notes	0	0	0	301,689	301,689
Proceeds from Sale of Capital Assets	89,628	0	0	0	89,628
Transfers In	0	0	0	89,296	89,296
Transfers Out	(89,296)	0	0	0	(89,296)
<i>Total Other Financing Sources (Uses)</i>	<u>332</u>	<u>0</u>	<u>0</u>	<u>390,985</u>	<u>391,317</u>
<i>Net Change in Fund Balances</i>	82,287	(5,321,937)	(6,269,627)	305,276	(11,204,001)
<i>Fund Balances Beginning of Year</i>	3,417,510	13,627,770	11,342,731	3,085,342	31,473,353
<i>Fund Balances End of Year</i>	<u>\$3,499,797</u>	<u>\$8,305,833</u>	<u>\$5,073,104</u>	<u>\$3,390,618</u>	<u>\$20,269,352</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula 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, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$11,204,001)

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

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

Capital Outlay	17,880,456	
Current Year Depreciation	(1,131,523)	
Total		16,748,933

The net effect of various transactions involving capital assets (i.e.; disposals, sales and donations) is a reduction in net assets.

Assets Disposed	(3,504,107)	
Accumulated Depreciation on Disposals	2,760,811	
Total		(743,296)

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

Property Taxes	137,165	
School Facilities Monies	(5,373,816)	
Intergovernmental Revenue	(23,325)	
Total		(5,259,976)

Other financing sources in the governmental funds, such as long-term note proceeds, increases long-term liabilities in the statement of net assets. (301,689)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 495,272

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the following:

Accrued Interest on Bonds	(648)	
Accreted Interest on Capital Appreciation Bonds	(60,374)	
Amortization of Bond Issuance Premium	39,770	
Amortization of Bond Issuance Costs	(8,891)	
Total		(30,143)

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (70,829)

Change in Net Assets of Governmental Activities (\$365,729)

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$5,192,827	\$6,237,800	\$5,098,069	(\$1,139,731)
Tuition and Fees	0	556,935	613,275	56,340
Interest	0	20,458	22,528	2,070
Rentals	0	581	640	59
Contributions and Donations	0	1,408	1,550	142
Intergovernmental	0	8,681,653	9,559,899	878,246
Miscellaneous	0	256,240	234,733	(21,507)
<i>Total Revenues</i>	<u>5,192,827</u>	<u>15,755,075</u>	<u>15,530,694</u>	<u>(224,381)</u>
Expenditures				
Current:				
Instruction:				
Regular	1,968,145	7,699,701	7,877,767	(178,066)
Special	358,533	1,103,166	1,156,583	(53,417)
Vocational	34,300	141,488	152,569	(11,081)
Support Services:				
Pupils	397,403	1,460,524	1,351,424	109,100
Instructional Staff	26,948	101,741	106,462	(4,721)
Board of Education	7,417	24,971	24,578	393
Administration	328,911	1,062,431	1,034,809	27,622
Fiscal	171,473	638,656	561,700	76,956
Business	5,196	17,700	10,672	7,028
Operation and Maintenance of Plant	590,274	1,758,691	1,664,012	94,679
Pupil Transportation	299,262	1,451,139	1,147,272	303,867
Central	45,823	77,714	69,168	8,546
Operation of Non-Instructional Services	16,579	67,227	71,589	(4,362)
Extracurricular Activities	92,902	378,030	373,125	4,905
<i>Total Expenditures</i>	<u>4,343,166</u>	<u>15,983,179</u>	<u>15,601,730</u>	<u>381,449</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>849,661</u>	<u>(228,104)</u>	<u>(71,036)</u>	<u>157,068</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	89,628	89,628
Advances Out	0	(68,057)	(27,481)	40,576
Transfers Out	0	(100,000)	(89,296)	10,704
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(168,057)</u>	<u>(27,149)</u>	<u>140,908</u>
<i>Net Change in Fund Balance</i>	849,661	(396,161)	(98,185)	297,976
<i>Fund Balance Beginning of Year</i>	2,973,963	2,973,963	2,973,963	0
<i>Prior Year Encumbrances Appropriated</i>	309,371	309,371	309,371	0
<i>Fund Balance End of Year</i>	<u>\$4,132,995</u>	<u>\$2,887,173</u>	<u>\$3,185,149</u>	<u>\$297,976</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$18,393	\$40,410
Liabilities		
Due to Students	0	\$32,990
Due to Other Funds	0	7,420
<i>Total Liabilities</i>	0	\$40,410
Net Assets		
Held in Trust for Scholarships	\$18,393	

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2009

	<u>Scholarship</u>
Additions	
Interest	\$53
Deductions	
Payments in Accordance with Trust Agreements	<u>0</u>
<i>Change in Net Assets</i>	53
<i>Net Assets Beginning of Year</i>	<u>18,340</u>
<i>Net Assets End of Year</i>	<u><u>\$18,393</u></u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 1 – Description of the School District and Reporting Entity

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 district as defined by Section 3311 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District employed 132 certified employees and 106 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the District over which the District is financially accountable.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Jefferson Area Local School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standard Board (FASB) statements and interpretations issued after November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The School District has no proprietary funds.

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

General Fund - This fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Building Fund – This fund was established pursuant to Section 5705.09, Ohio revised Code, and is used to account for the receipts and expenditures related to the bond issue of the District. Expenditures recorded in this fund represent the costs of acquiring capital facilities, including real property.

Classroom Facilities Fund – This fund was established pursuant to Sections 3318.080 and 3318.15, Ohio Revised Code, and accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Fiduciary Fund Types Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust 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's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activity programs for students.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

B. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and 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.

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

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

The trust fund is reported using the economic resources measurement focus.

C. 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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the 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.

D. Budget and Budgetary Accounting

All governmental fund types are subject to annual expenditure budgets. The Board follows the procedures outlined below in establishing the expenditure budget data reported in the basic financial statements:

Tax Budget A tax budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

Estimated Resources The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources, which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Appropriations An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered balance is carried forward to the succeeding fiscal year and need not be re-appropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

E. Cash and Investments

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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 Investments." During the fiscal year, all investments were limited to repurchase agreements mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, the Bond Retirement debt service fund, the Classroom Facilities Maintenance special revenue fund, the Permanent Fund, the Classroom Facilities capital projects fund and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$22,528, none of which was assigned from other District funds.

F. Inventories

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks, bus purchases and budget stabilization. See Note 18 for additional information regarding set asides.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

H. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, 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>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets.

J. 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 from them are not presented on the financial statements.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, textbooks, budget stabilization and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The net assets held in trust for scholarships signify the legal restrictions on the use of principal.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$18,879,683, of which none is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

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

O. Bond Issuance Costs

Bond issuance costs for underwriting fees and bond insurance for the classroom facilities bonds are being amortized using the straight line method over the life of the bonds on the government-wide statements. The straight-line method of amortization is not materially different from the effective interest method. On governmental fund statements bond issuance costs are expended in the year the bonds are issued.

P. Bond Premium

On the government wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On governmental fund statements, bond premiums are receipted in the year the bonds are issued.

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 2009.

R. Estimates

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

Note 3 – Budgetary Basis of Accounting

While the School District is reporting its financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	Net Change in Fund Balance	
GAAP Basis		\$82,287
Net Adjustment for Revenue Accruals		(43,374)
Advances Out		(27,481)
Net Adjustment for Expenditure Accruals		129,874
Adjustment for Encumbrances		<u>(239,491)</u>
Budget Basis		<u><u>(\$98,185)</u></u>

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$39,439
Management Information Systems	2,762
Title I	104,070
Improving Teacher Quality	5,080
Miscellaneous Federal Grants	3,293

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

B. Compliance

The following funds had final appropriations plus carryover encumbrances in excess of estimated resources plus unencumbered fund balance contrary to Section 5705.39, Ohio Revised Code:

<u>Fund</u>	<u>Final</u>
<i>Major Funds:</i>	
Building Fund	\$4,810,497
Classroom Facilities Fund	22,170,188
<i>Non-Major Funds:</i>	
Uniform School Supplies Fund	4,849
Miscellaneous State Grants Fund	11,573
Title I Fund	2,383

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

The following funds had expenditures plus encumbrances in excess of final appropriations contrary to Section 5705.41(B), Ohio Revised Code:

Fund/Function/Object	Final Appropriations	Expenditures	Excess
General Fund			
Instruction:			
Regular - Personal Services	\$6,794,490	\$6,963,248	\$168,758
Regular - Other	905,211	914,519	9,308
Special - Personal Services	921,618	926,012	4,394
Special - Other	181,548	230,571	49,023
Vocational - Personal Services	59,199	62,799	3,600
Vocational - Other	82,289	89,770	7,481
Support Services:			
Instructional Staff - Personal Services	67,822	69,966	2,144
Instructional Staff - Other	33,919	36,496	2,577
Board of Education - Personal Services	907,000	926,114	19,114
Operation of Non-Instructional - Personal Services	66,852	71,303	4,451
Extracurricular Activities - Personal Services	11,273	16,019	4,746
Extracurricular Activities - Other	0	7,576	7,576
Food Service Special Revenue Fund			
Personal Services	434,287	438,751	4,464
Other	239,598	251,892	12,294
Public School Support Special Revenue Fund			
Support Services:			
Instructional Staff - Other	4,950	16,619	11,669
Extracurricular Activities - Other	26	1,010	984
EMIS Special Revenue Fund			
Support Services:			
Board of Education - Personal Services	7,153	9,568	2,415
Transfers Out	0	1,466	1,466
Data Communications Special Revenue Fund			
Support Services:			
Central - Other	9,000	18,946	9,946
Miscellaneous State Grants Special Revenue Fund			
Instruction:			
Special - Other	0	2,924	2,924
Title I Special Revenue Fund			
Support Services:			
Pupil - Other	0	2,811	2,811
Improving Teacher Quality Special Revenue Fund			
Instruction:			
Regular - Personal Services	28,807	64,572	35,765
Permanent Improvement Capital Projects Fund			
Capital Outlay - Other	355,745	758,733	402,988
Building Capital Projects Fund			
Capital Outlay - Other	10,836,383	14,758,305	3,921,922

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 5 – Cash and Investments

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals 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 that 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 held by the School District can 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;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end the carrying amount of the District's deposits was \$13,448,359, and \$12,417,735 of the School District's bank balance of \$14,627,735 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirement of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred give percent of the deposited being secured.

Investments

As of June 30, 2009, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Categorized Investments:		
Government & Agency Mutual Funds	\$6,390,456	Six Months or Less
Repurchase Agreements	<u>735,003</u>	Six Months or Less
Total Investments	<u><u>\$7,125,459</u></u>	

Interest Rate Risk The School District has no investment policy that addresses the interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2009:

<u>Investment</u>	<u>Percentage of Investment</u>
Government & Agency Mutual Funds	89.68%
Repurchase Agreements	<u>10.32%</u>
Total	<u><u>100.00%</u></u>

Note 6 – Property Tax

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2009 (other than public utility property) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$2,117,453 in the general fund, \$1,333,711 in the bond retirement debt service fund, \$113,034 in the permanent improvement capital projects fund and \$64,822 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2008 was \$2,072,728 in the general fund, \$1,263,488 in the bond retirement debt service fund, \$112,494 in the permanent improvement capital projects fund and \$65,675 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$218,020,410	91.7%	\$236,750,820	95.8%
Public Utility Personal	7,465,760	3.1%	7,700,120	3.1%
General Business Personal	12,248,110	5.2%	2,768,787	1.1%
	<u>\$237,734,280</u>	<u>100.0%</u>	<u>\$247,219,727</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$54.73		\$54.73	

Note 7 – Receivables

Receivables at June 30, 2009 consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds:	
Ohio Schools Facilities Commission	\$513,770

The School District entered into an agreement with the Ohio Schools Facilities Commission to construct three new school buildings and an auditorium. The State share receivable on the project as of June 30, 2009 is \$513,770.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 7/1/2008	Additions	Deletions	Balance 6/30/2009
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$831,301	\$0	(\$118,920)	\$712,381
Construction in Progress	24,891,229	16,673,567	(22,132,166)	19,432,630
Total Capital Assets, not being depreciated:	25,722,530	16,673,567	(22,251,086)	20,145,011
Capital Assets, being depreciated:				
Land Improvements	900,495	22,132,166	(306,178)	22,726,483
Buildings and Improvements	6,602,580	0	(2,815,259)	3,787,321
Furniture, Equipment and Fixtures	1,423,836	845,104	(3,750)	2,265,190
Vehicles	1,767,155	361,785	(260,000)	1,868,940
Total Capital Assets, being depreciated:	10,694,066	23,339,055	(3,385,187)	30,647,934
Less Accumulated Depreciation:				
Land Improvements	(675,301)	(574,914)	191,257	(1,058,958)
Buildings and Improvements	(4,603,460)	(267,209)	2,321,625	(2,549,044)
Furniture, Equipment and Fixtures	(998,028)	(228,215)	1,429	(1,224,814)
Vehicles	(839,790)	(61,185)	246,500	(654,475)
Total Accumulated Depreciation	(7,116,579)	(1,131,523)	2,760,811	(5,487,291)
Total Capital Assets being depreciated, net	3,577,487	22,207,532	(624,376)	25,160,643
Governmental Activities Capital Assets, Net	\$29,300,017	\$38,881,099	(\$22,875,462)	\$45,305,654

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$599,958
Special	39,248
Vocational	184
Support Services:	
Pupil	344
Instructional Staff	524
Administration	18,651
Operation and Maintenance of Plant	267,413
Pupil Transportation	158,819
Operation of Non-Instructional Services	40,738
Operation of Food Services	1,117
Extracurricular Activities	4,527
Total Depreciation Expense	\$1,131,523

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 9 – Interfund Activity

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers To	Transfers From
	General
<i>Nonmajor Governmental Funds:</i>	
Bond Retirement Fund	\$56,403
Emergency Management Information Systems Fund	2,832
Data Communication Fund	946
Poverty Based Assistance	1,387
Title I	27,594
Miscellaneous Federal Grants Fund	134
Total	\$89,296

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to 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 authorization. Transfers are also used to close out the funds that are no longer required.

B. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2009, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$82,913	\$0
Non-major Governmental Funds:		
Public School Support	0	4,561
Emergency Management Information Systems	0	1,464
Title I	0	66,426
Drug Free Schools	0	1,582
Reducing Class Size	0	4,566
Miscellaneous Federal Grants	0	4,314
	\$82,913	\$82,913

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Advances to/from for the year ended June 30, 2009 are classified as “Due to/from Other Funds” and consisted of an advance from a non-major governmental fund (Public School Support) to the student activities agency fund.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 10 – Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2009, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee’s anniversary date is expired and not available for use in a subsequent year unless approved by the superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years of Service</u>	<u>Vacation Days</u>
1-3	10
4-7	15
8-Beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis; classified employees, 300 days and certified employees, unlimited days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 81 days for certified employees and 75 days for classified employees.

Note 11 - Defined Benefit Pension Plans

A - School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website, 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District’s contributions to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$198,693, \$200,148, and \$237,067, respectively; 34.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

B - State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit", the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2009, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$933,515, \$916,828, and \$945,958, respectively; 83.2 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$12,556 made by the District and \$22,651 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* were available after December 31, 2008.

Additional information or copies of STRS Ohio's 2008 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 12 - Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan for School Employees Retirement System of Ohio (SERS) administers two post-employment benefit plans.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2009, 2008 and 2007 were \$16,394, \$16,388 and \$16,805, respectively, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, 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 ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administers in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is allocated 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were \$124,123, \$122,578 and \$93,047, respectively; 34.5 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

B. State Teachers Retirement System

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2009, 2008 and 2007 were \$71,809, \$70,525 and \$72,766 respectively; 83.2 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

Note 13 – Risk Management

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District also provides umbrella liability insurance in the amount of \$3,000,000 for each occurrence and \$3,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$28,029,309 and \$125,000 in equipment breakdown coverage.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year.

B. Employee Medical Benefits

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

C. Workers' Compensation

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

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 school 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 school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 14 – Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2009, are as follows:

Governmental-Type Activities	Principal Outstanding 6/30/08	Additions	Deductions	Principal Outstanding 6/30/09	Amounts due in One Year
General Obligation Bonds					
2006 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	\$7,805,000	\$0	\$390,000	\$7,415,000	\$495,000
Current Interest Term Bonds	11,255,000	0	0	11,255,000	0
Unamortized Premium	931,277	0	39,770	891,507	0
Capital Appreciation Bonds	689,979	0	0	689,979	0
Accretion on Capital Appreciation Bonds	153,465	60,374	0	213,839	0
Total General Obligation Bonds	20,834,721	60,374	429,770	20,465,325	495,000
Other Long-Term Obligations:					
Energy Conservation Note	245,000	0	45,000	200,000	45,000
Bus Purchase Loans	32,492	301,689	60,272	273,909	273,909
Compensated Absences	1,278,504	92,069	21,240	1,349,333	80,191
Total Other Long-Term Obligations	1,555,996	393,758	126,512	1,823,242	399,100
Total Long-Term Obligations	\$22,390,717	\$454,132	\$556,282	\$22,288,567	\$894,100

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

On August 10, 2005, the District issued \$20,949,979 in classroom facilities bonds for the construction of new schools. The bonds were issued for a twenty-six year period, will mature on December 1, 2031 and will be paid using tax revenue from the debt service fund. The bond issue included \$9,005,000 in serial bonds, \$11,255,000 in term bonds and was issued at a premium of \$1,047,273.

The 2006 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$60,374 represents the accretion of discounted interest. The final maturity of these bonds is \$1,115,000.

The District issued Energy Conservation Notes in the amount of \$600,000 on March 3, 1998. The notes mature in December 2012 and have an average interest rate of 5.125 percent.

The District entered into a loan agreement with Sky Bank for the purchase of new busses in the amount of \$124,600 on September 22, 2006. The loan matured on October 1, 2008 and had an interest rate of 4.75 percent.

The District entered into a loan agreement with Huntington Bank for the purchase of 4 new busses in the amount of \$301,689 on September 10, 2008. The loan is scheduled to mature on October 1, 2013 and has an interest rate of 5.0 percent. The District paid the entire loan off on April 28, 2010.

Compensated absences will be paid from the general fund and the food service, EMIS and Title I special revenue funds.

The School District's overall legal debt margin was \$4,499,946 with an unvoted debt margin of \$247,220 at June 30, 2009. Principal requirements to retire general obligation debt and long-term notes and loans outstanding at June 30, 2009, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$495,000	\$875,718	\$1,370,718	\$0	\$0	\$0
2011	510,000	858,130	1,368,130	0	0	0
2012	0	849,205	849,205	340,090	189,910	530,000
2013	0	849,205	849,205	349,889	235,111	585,000
2014	585,000	837,505	1,422,505	0	0	0
2015 - 2019	3,370,000	3,773,800	7,143,800	0	0	0
2020 - 2024	4,300,000	2,832,525	7,132,525	0	0	0
2025 - 2029	5,465,000	1,646,533	7,111,533	0	0	0
2030 - 2032	3,945,000	302,375	4,247,375	0	0	0
Total	\$18,670,000	\$12,824,996	\$31,494,996	\$689,979	\$425,021	\$1,115,000

Fiscal Year Ending June 30,	Energy Conservation Note			Bus Purchase Loan		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$45,000	\$9,097	\$54,097	\$273,909	\$14,024	\$287,933
2011	50,000	6,662	56,662	0	0	0
2012	50,000	4,100	54,100	0	0	0
2013	55,000	1,409	56,409	0	0	0
Total	\$200,000	\$21,268	\$221,268	\$273,909	\$14,024	\$287,933

Jefferson Area Local School District
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For the Year Ended June 30, 2009

Note 15 – Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2009. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained by contacting the Trumbull County Educational Service Center, 347 Park Avenue, Warren, Ohio 44481.

Ashtabula County Schools Council of Governments The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Ashtabula County Joint Vocational School District The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2009. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Note 16 – Insurance Purchasing Pool

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

Note 17 – Contingencies

A. Grants

The District received financial assistance from federal and state 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 general fund or other

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2009.

B. Litigation

The District is a defendant in a lawsuit filed in February of 2003 for injuries to a student that occurred during a bus accident in August of 1987. The District does not foresee any material effect on the financial statements resulting from this litigation.

Note 18 – Statutory Reserves

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2008	\$966,803	\$0	\$1,922
Current Year Set-Aside Requirement	310,136	310,136	0
Qualifying Disbursements	(98,473)	(462,086)	0
Current year offsets	0	(553,960)	0
Total	<u>\$1,178,466</u>	<u>(\$705,910)</u>	<u>\$1,922</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$1,178,466</u>	<u>\$0</u>	<u>\$1,922</u>
Cash balance as of June 30, 2009	<u>\$1,178,466</u>	<u>\$0</u>	<u>\$1,922</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 19 – Operating Lease

The District entered into a lease for copy machines commencing May 2004 for 60 months. Total expenditures for this on this lease for the fiscal year ended June 30, 2009 were \$10,978. The lease was paid in full during the fiscal year.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

Note 20 – Contractual Commitments

As of June 30, 2009, the District had contractual commitments outstanding for the following projects:

	Contractual Commitments	Expended	Balance 6/30/2009
<i>Jefferson Elementary</i>			
Detrick Industrial Piping	\$1,625,591	\$1,595,680	\$29,911
Microman Inc.	57,414	56,336	1,078
Blaze Building Corp.	7,239,850	7,108,570	131,280
<i>Rock Creek Elementary</i>			
Hively Construction	6,290,751	6,279,267	11,484
<i>Jefferson Junior & Senior High (Including Stadium)</i>			
Buehrer Group	1,743,543	1,579,635	163,908
Blaze Building Corp.	12,264,054	9,679,065	2,584,989
APL Electric	2,574,576	1,873,408	701,168
Detrick Industrial Piping	1,020,136	850,526	169,610
North East Fire Protection LLC	244,433	197,707	46,726
Western Reserve Mechanical	2,521,445	2,227,651	293,794
B&J Electric	221,544	49,432	172,112
Marous Brothers Construction	1,213,968	481,391	732,577
Dave York Sports Inc.	339,000	325,425	13,575
Totals	<u>\$37,356,305</u>	<u>\$32,304,093</u>	<u>\$5,052,212</u>

Note 21 – Change in Accounting Principles

For fiscal year 2009, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments” and Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of GASB Statement No. 49 did not result in any changes to the District’s financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of GASB Statement No. 51 did not result in any changes to the District’s financial statements.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2009

GASB Statement No. 52 establishes consistent standards for the accounting and financial reporting of land and other real estate held as investments by endowments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of GASB Statement No. 52 did not result in any changes to the District's financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of GASB Statement No. 55 did not result in any changes to the District's financial statements.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles, related party transactions, going concern considerations, and subsequent events. The implementation of GASB Statement No. 56 did not result in any changes to the District's financial statements.

Note 22 – New Accounting Standards

In November of 2007, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This Statement establishes accounting and financial reporting standards for all state and local governments that enter into derivative instruments as defined in this Statement. Statement No. 53 will not be effective for the District until fiscal year 2011 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In February of 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The objective of this Statement is to improve the usefulness, including the understandability, of governmental fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. It also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund financial statements and help financial statement users to better understand the purposes for which governments have chosen to use particular funds for financial reporting. Statement No. 54 will not be effective for the District until fiscal year 2011.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 3, 2010, wherein we noted the District adopted *GASB Statement No.'s 49, 51, 52, 55, and 56*, as disclosed in Note 19. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2009-3 and 2009-4.

Board of Education
Jefferson Area Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2009-1 and 2009-2.

We noted certain matters that we reported to management of the District in a separate letter dated December 3, 2010.

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

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

Ciuni & Panichi, Inc.

Cleveland, Ohio
December 3, 2010

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

Compliance

We have audited the compliance of the Jefferson Area Local School District (the “District”), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

As described in item 2009-6 in the accompanying schedule of findings, the District did not comply with requirements regarding Reporting that are applicable to its Title I Grant. Compliance with such requirements is necessary in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2009-5.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2009, and have issued our report there on dated December 3, 2010, which contained unqualified opinions on those financial statements, wherein we noted that the District implemented *GASB Statement Nos. 49, 51, 52, 55, and 56*. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Ciuni & Paricki, Inc.

Cleveland, Ohio
December 3, 2010

Jefferson Area Local School District

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. Department of Agriculture:					
Passed-Through Ohio Department of Education:					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 62,484	\$ -	\$ 62,484	\$ -
School Lunch Program	10.555	<u>252,812</u>	<u>49,470</u>	<u>252,812</u>	<u>51,233</u>
Total Nutrition Cluster		<u>315,296</u>	<u>49,470</u>	<u>315,296</u>	<u>51,233</u>
Total U.S. Department of Agriculture		<u>315,296</u>	<u>49,470</u>	<u>315,296</u>	<u>51,233</u>
U.S. Department of Education:					
Passed-Through Ohio Department of Education:					
Title I	84.010	311,215	-	334,471	-
Safe and Drug Free Schools	84.186	5,344	-	4,422	-
Innovative Education Program Strategy	84.298	1,557	-	5,352	-
Enhancing Education Through Technology	84.318	2,915	-	4,163	-
Title II-A	84.367	<u>86,537</u>	<u>-</u>	<u>75,473</u>	<u>-</u>
Total U.S. Department of Education		<u>407,568</u>	<u>-</u>	<u>423,881</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 722,864</u>	<u>\$ 49,470</u>	<u>\$ 739,177</u>	<u>\$ 51,233</u>

Jefferson Area Local School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2009

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Child Nutrition Cluster

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program (“NSLP”), CFDA 10.555. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

Jefferson Area Local School District

Schedule of Findings
OMB Circular A-133 Section .505

June 30, 2009

1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(I)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any significant control deficiencies in internal control reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(I)(vi)	Are there any reportable findings under Section .510?	Yes
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA No. 10.553 and 10.555 Title I CFDA No. 84.010
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Findings	Findings Summary																				
2009-1	<p>Material Noncompliance</p> <p>Per ORC Section 5705.41 (B), no subdivision or taxing unit is to expend money unless it has been appropriated. The following object levels had expenditures plus encumbrances in excess of final appropriations:</p> <p>General Fund</p> <table> <tr> <td>Instruction</td> <td></td> </tr> <tr> <td> Regular – Personal Services</td> <td>\$ 168,758</td> </tr> <tr> <td> Regular – Other</td> <td>9,308</td> </tr> <tr> <td> Special – Personal Services</td> <td>4,394</td> </tr> <tr> <td> Special – Other</td> <td>49,023</td> </tr> <tr> <td> Vocation – Personal Services</td> <td>3,600</td> </tr> <tr> <td> Vocation – Other</td> <td>7,481</td> </tr> <tr> <td>Support Services</td> <td></td> </tr> <tr> <td> Instructional Staff – Personal Services</td> <td>2,144</td> </tr> <tr> <td> Instructional Staff – Other</td> <td>2,577</td> </tr> </table>	Instruction		Regular – Personal Services	\$ 168,758	Regular – Other	9,308	Special – Personal Services	4,394	Special – Other	49,023	Vocation – Personal Services	3,600	Vocation – Other	7,481	Support Services		Instructional Staff – Personal Services	2,144	Instructional Staff – Other	2,577
Instruction																					
Regular – Personal Services	\$ 168,758																				
Regular – Other	9,308																				
Special – Personal Services	4,394																				
Special – Other	49,023																				
Vocation – Personal Services	3,600																				
Vocation – Other	7,481																				
Support Services																					
Instructional Staff – Personal Services	2,144																				
Instructional Staff – Other	2,577																				

Jefferson Area Local School District

Schedule Of Findings (Continued)
 OMB Circular A-133 Section .505

June 30, 2009

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

2009-1 (continued)	General Fund (continued)	
	Board of Education – Personal Services	19,114
	Operation of Non-Instructional – Personal Services	4,451
	Extracurricular Activities – Personal Services	4,746
	Extracurricular Activities – Other	7,576
	Special Revenue Funds:	
	Food Service Fund	
	Personal Services	4,464
	Other	12,294
	Public School Support Fund	
	Support Services	
	Instructional Staff – Other	11,669
	Extracurricular Activities – Other	984
	Emergency Management Information Systems Fund	
	Support Services	
	Board of Education – Personal Services	2,415
	Transfers	1,466
	Data Communications Fund	
	Support Services	
	Central – Other	9,946
	Miscellaneous State Grants Fund	
	Instruction	
	Special – Other	2,924
	Title I Fund	
	Support Services	
	Pupil – Other	2,811
	Improving Teacher Quality Fund	
Instruction		
Regular – Other	35,765	
Capital Projects Funds:		
Permanent Improvement Fund		
Capital Outlay - Other	402,988	
Building Fund		
Capital Outlay – Other	3,921,922	

Jefferson Area Local School District

Schedule Of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2009

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

2009-2	<i>Material Noncompliance</i>
	Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue. The following funds had final appropriations plus carryover encumbrances in excess estimated resources:
	<u>Final</u>
	Special Revenue Funds:
	Uniform School Supplies Fund \$ 4,849
	Miscellaneous State Grants Fund 11,573
	Title I Fund 2,383
	Capital Projects Funds:
	Building Fund 4,810,497
	Classroom Facilities Fund 22,170,188

Jefferson Area Local School District

Schedule Of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2009

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

2009-3	<p><i>Material Weakness</i></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:</p> <ol style="list-style-type: none">1. Adjusted construction in progress by \$22,132,166 to adjust for reclass to buildings for the two completed elementary schools and buildings by \$19,316,907 to account for the reclass from construction in progress and the removal of the two disposed of elementary schools.2. Adjusted furniture, fixtures, and equipment by \$689,911 for the addition of equipment for the new elementary schools and the disposal of retired items.3. Reduced land by \$118,920 and land improvements by \$306,178 for the removal of items disposed of from the old two elementary schools.4. Reduced accumulated depreciation by \$1,860,563 to account for the activity of items added and removed related to the elementary schools.5. Adjusted retainage payable by \$136,613 for amounts that were not originally recorded and reduced contracts payable for \$64,519 for amounts that should not have been included.6. Adjusted Invested in Capital, Net of Related Debt for above entries for \$2,257,869. <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District's management needs to review the statements to be sure that all items are being properly recorded. As a significant portion of the adjustments related to the construction projects with the Ohio Schools Facilities Commission, it is also recommended that a person is designated to monitor these expenses regularly and be sure that all contractors' payments are up to date.</p>
2009-4	<p><i>Material Weakness</i></p> <p>The District was not properly reconciling their bank statements with their system; therefore, they were understating fund balances by approximately \$1,374,000. Management contracted with a third party to perform reconciliations for the year under audit to correct the misstatement.</p>

Jefferson Area Local School District

Schedule Of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2009

3. Findings for Federal Awards

2009-5	<p><i>Material Noncompliance</i></p> <p>OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency.</p> <p>Evidence was provided that the District notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time. However the cognizant or oversight agency is no longer providing any extensions.</p> <p>Management's Response:</p> <p>The District is in the process of getting completely caught up by December 2010.</p>
2009-6	<p><i>Federal Compliance – Reporting</i></p> <p>Per our review of the final expenditure report, we noted the report was not finalized by the deadline as noted in the Grant Agreement. The final expenditure report for the Title I Grant was not finalized until August 2010 with the Ohio Department of Education.</p> <p>We recommend the District adopt policies and procedures to ensure that the schedule of federal expenditures is reviewed for completeness at year-end.</p> <p>Management's Response:</p> <p>The District is in the process of getting completely caught up for Fiscal 2010.</p>

Jefferson Area Local School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

June 30, 2009

Findings	Findings Summary	Corrected	Responsible Contact Person; Not Corrected, Partially Corrected
2008-1	Per ORC Section 5705.41(B), the District is prohibited from making expenditures unless it has been properly appropriated.	No	Edward Williams, Treasurer; Repeat comment
2008-2	Per ORC Section 5705.39, the total appropriations plus carryover encumbrances from each fund shall not exceed the total estimated revenues.	No	Edward Williams, Treasurer; Repeat comment
2008-3	Per ORC Section 117.38, the District should file annual report on a timely basis, within 150 days of year end.	Yes	Edward Williams, Treasurer; The District will become caught up with their fiscal audits by fiscal year 2010.
2008-4	Per ORC Section 3315.17 and 3315.18, reserve funds support documentation was not maintained.	Yes	Edward Williams, Treasurer; Repeat comment
2008-5	The District was not monitoring the GAAP conversion process and therefore, several significant journal entries were required to adjust balances to actual.	No	Edward Williams, Treasurer; Repeat comment
2008-6	The District was not reconciling the bank accounts timely or accurately.	No	Edward Williams, Treasurer; Repeat comment
2008-7	Board policies regarding student activities were not being followed.	Yes	Edward Williams, Treasurer; Repeat comment
2008-8	Single audit reports were not filed timely.	No	Edward Williams, Treasurer; Repeat comment
2008-9	Single audit Final Expenditure report was not filed timely.	No	Edward Williams, Treasurer; Repeat comment

Jefferson Area Local School District

**45 East Satin Street
Jefferson, Ohio 44047
(440) 576-9180**

**Response To Findings Associated With Audit Conducted
In Accordance With *Government Auditing Standards***

June 30, 2009

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-1	Edward Williams, Treasurer, will monitor actual expenditures more closely, to ensure they do not exceed the budgeted amounts.	Fiscal year 2010	Edward Williams, Treasurer
2009-2	Edward Williams, Treasurer, will monitor budgeting process more closely, to ensure the appropriation plus prior year encumbrances do not exceed estimated resources.	Fiscal year 2010	Edward Williams, Treasurer
2009-3	Edward Williams, Treasurer, will monitor GAAP conversion to be sure that it is completed timely.	Fiscal year 2010	Edward Williams, Treasurer
2009-4	Edward Williams, Treasurer, will reconcile cash on a more regular basis.	Fiscal year 2011	Edward Williams, Treasurer
2009-5	Edward Williams, Treasurer, will ensure that Single Audit reports are filed timely.	Fiscal year 2010	Edward Williams, Treasurer
2009-6	Edward Williams, Treasurer, will ensure that Single Audit reports are filed timely.	Fiscal year 2010	Edward Williams, Treasurer

Independent Accountants' Report on Applying Agreed-Upon Procedures

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Jefferson Area Local School District has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 19, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - a. A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - b. A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - c. A procedure for reporting prohibited incidents;
 - d. A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - e. A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

Board of Education
Jefferson Area Local School District

- f. A procedure for documenting any prohibited incident that is reported;
- g. A procedure for responding to and investigating any reported incident;
- h. A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- i. A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- j. A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Ciani & Panichi, Inc.

Cleveland, Ohio
December 3, 2010



Mary Taylor, CPA
Auditor of State

JEFFERSON AREA LOCAL SCHOOL DISTRICT

ASHTABULA 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
JANUARY 20, 2011