



**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

Board of Education
Jefferson Area Local School District
121 South Poplar Street
Jefferson, OH 44047

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

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

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

Dave Yost
Auditor of State

February 29, 2012

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**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Area Local School District
Ashtabula County
121 South Poplar Street
Jefferson, OH 44047

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the District), Ashtabula County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District, Ashtabula County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof 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 3, Jefferson Area Local School District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



CANTER & ASSOCIATES

Poland, Ohio

December 29, 2011

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(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, 2011. 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 2011 are as follows:

- In total, net assets decreased by \$409,237, which represents a decrease of less than 1 percent from fiscal year 2010.
- Revenues for governmental activities totaled \$19,949,412 in fiscal year 2011. Of this total, 82.7 percent consisted of general revenues while program revenues accounted for the balance of 17.3 percent.
- Program expenses totaled \$20,358,649. Instructional expenses made up 55.4 percent of this total while support services accounted for 33.2 percent. Other expenses rounded out the remaining 11.4 percent.
- The District's major governmental funds are the general fund, the bond retirement debt service fund, the building capital projects fund and the classroom facilities capital projects fund. The general fund had \$16,009,192 in revenues and \$16,235,355 in expenditures. During fiscal year 2011, the general fund's fund balance decreased \$388,268 from \$3,460,418 to \$3,072,150.
- The District's other major governmental funds are the bond retirement debt service fund, the building capital projects fund and the classroom facilities capital projects fund. The bond retirement fund had \$1,549,907 in revenues and \$1,451,863 in expenditures. The bond retirement fund balance increased \$152,016 during fiscal year 2011. The building capital projects fund had \$5,140 in revenues and \$2,953,553 in expenditures. The building capital projects fund balance decreased \$2,548,413 during fiscal year 2011. The classroom facilities fund had \$5,039 in revenues and \$331,275 in expenditures. The classroom facilities fund balance decreased \$726,236 during fiscal year 2011.

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

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*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Area Local School District, the general fund, the bond retirement debt service fund, the building capital projects fund and the classroom facilities capital projects fund are the most significant.

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 2011?" 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, the bond retirement debt service fund the building capital projects fund and the classroom facilities capital projects fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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, 2011
(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 2011 compared to 2010:

Table 1
Net Assets
Governmental Activities

	2011	2010	Change
Assets			
Current and Other Assets	\$16,068,730	\$19,507,413	(\$3,438,683)
Capital Assets	53,241,990	51,212,266	2,029,724
<i>Total Assets</i>	<u>69,310,720</u>	<u>70,719,679</u>	<u>(1,408,959)</u>
Liabilities			
Current Liabilities	6,492,942	6,636,272	(143,330)
Long-Term Liabilities			
Due within One Year	608,652	587,637	21,015
Due in More than One Year	20,020,216	20,897,623	(877,407)
<i>Total Liabilities</i>	<u>27,121,810</u>	<u>28,121,532</u>	<u>(999,722)</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	34,841,543	31,340,550	3,500,993
Restricted	6,534,912	10,061,900	(3,526,988)
Unrestricted	812,455	1,195,697	(383,242)
<i>Total Net Assets</i>	<u>\$42,188,910</u>	<u>\$42,598,147</u>	<u>(\$409,237)</u>

Total assets decreased by \$1,408,959. This decrease can be attributed mostly to a decrease in cash and cash equivalents as construction projects continued.

Total liabilities decreased by \$999,722. The majority of this decrease was due to decreases in contracts payable and retainage payable related to the District's construction projects.

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 \$409,237.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,497,639 or 82.3 percent of the total revenue. The most significant portion of general revenue for fiscal year 2011 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 \$3,451,773.

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2011.

Table 2
Change in Net Assets
Governmental Activities

	2011	2010	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,878,040	\$1,193,547	\$684,493
Operating Grants and Contributions	1,573,733	1,508,270	65,463
Capital Grants and Contributions	0	199,978	(199,978)
<i>Total Program Revenues</i>	<u>3,451,773</u>	<u>2,901,795</u>	<u>549,978</u>
General Revenues			
Property Taxes	6,686,172	6,024,875	661,297
Intergovernmental	9,535,614	9,779,961	(244,347)
Investment Earnings	9,004	203,537	(194,533)
Miscellaneous	266,849	457,409	(190,560)
<i>Total General Revenues</i>	<u>16,497,639</u>	<u>16,465,782</u>	<u>31,857</u>
<i>Total Revenues</i>	<u>19,949,412</u>	<u>19,367,577</u>	<u>581,835</u>
Program Expenses			
Current:			
Instruction	11,278,286	12,128,621	(850,335)
Support Services:			
Pupils	1,423,482	1,427,800	(4,318)
Instructional Staff	176,522	125,413	51,109
Board of Education	20,942	19,307	1,635
Administration	1,123,177	1,125,053	(1,876)
Fiscal	721,933	609,590	112,343
Business	12,085	8,305	3,780
Operation and Maintenance of Plant	1,843,686	2,392,685	(548,999)
Pupil Transportation	1,328,963	1,339,353	(10,390)
Central	109,620	131,764	(22,144)
Operation of Non-Instructional Services	154,279	335,545	(181,266)
Operation of Food Services	810,093	738,281	71,812
Extracurricular Activities	454,041	451,353	2,688
Interest and Fiscal Charges	901,540	927,829	(26,289)
<i>Total Program Expenses</i>	<u>20,358,649</u>	<u>21,760,899</u>	<u>(1,402,250)</u>
<i>Change in Net Assets</i>	<u>(409,237)</u>	<u>(2,393,322)</u>	<u>1,984,085</u>
Net Assets Beginning of Year	42,598,147	44,991,469	(2,393,322)
<i>Net Assets End of Year</i>	<u>\$42,188,910</u>	<u>\$42,598,147</u>	<u>(\$409,237)</u>

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)*

Governmental Activities

Net assets of the District's governmental activities decreased \$409,237. Total governmental expenses of \$20,358,649 were not entirely offset by program revenues of \$3,451,773 and general revenues of \$16,497,639. Program revenues supported 17.0 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 81.3 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$11,278,286 or 55.4 percent of total governmental expenses for fiscal year 2011.

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

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$9,480,075	\$7,924,626	\$10,316,956	\$9,176,453
Special	1,654,189	1,253,541	1,710,766	1,313,195
Vocational	144,022	130,289	100,899	95,884
Support Services:				
Pupils	1,423,482	1,277,097	1,427,800	1,355,523
Instructional Staff	176,522	131,771	125,413	102,063
Board of Education	20,942	18,943	19,307	18,327
Administration	1,123,177	997,414	1,125,053	1,062,046
Fiscal	721,933	656,735	609,590	580,570
Business	12,085	10,931	8,305	7,883
Operation and Maintenance of Plant	1,843,686	1,688,454	2,392,685	2,117,010
Pupil Transportation	1,328,963	1,210,063	1,339,353	1,279,983
Central	109,620	94,994	131,764	124,165
Operation of Non-Instructional Services	154,279	143,439	335,545	287,072
Food Service Operation	810,093	115,397	738,281	40,953
Extracurricular Activities	454,041	351,642	451,353	370,148
Interest and Fiscal Charges	901,540	901,540	927,829	927,829
Total Expenditures	\$20,358,649	\$16,906,876	\$21,760,899	\$18,859,104

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 59 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
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(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 \$20,072,446 to offset expenditures, excluding other financing uses, of \$23,110,344. The net change in fund balance for the year was most significant in the building capital projects fund, which decreased \$2,548,413. 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 55 percent and 33 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 2011, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$14,982,936 and \$16,017,973, respectively. Actual revenues for fiscal year 2011 were 16,018,357, which was \$384 more than final budgeted revenues.

General fund original appropriations were \$17,789,214 and final appropriations were \$18,490,847. The actual budget basis expenditures for fiscal year 2011 totaled \$16,968,958, which was \$1,521,889 lower than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the School District had \$53,241,990 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2011 balances compared to fiscal year 2010:

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

	2011	2010
Land	\$712,381	\$712,381
Construction in Progress	1,896,082	2,568,540
Land Improvements	1,462	4,311
Buildings and Improvements	48,576,942	45,566,949
Furniture and Equipment	924,105	1,206,805
Vehicles	1,131,018	1,153,280
<i>Total</i>	<u>\$53,241,990</u>	<u>\$51,212,266</u>

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
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All capital assets, except land and construction in progress, are reported net of depreciation. The overall increase in capital assets of \$2,029,724 is due to District's construction in progress and completion on its two new school buildings. Depreciation expense of \$1,845,847 only partially offset capital outlays of \$3,875,571 during the fiscal year, resulting in the overall increase in capital assets. For more information about the School District's capital assets, see Note 10 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>2011</u>	<u>2010</u>
Ohio School Facilities Bonds	\$18,476,967	\$19,026,737
Capital Appreciation Bonds	689,979	689,979
Accretion on Capital Appreciation Bonds	347,861	278,534
1998 Energy Conservation Note	<u>105,000</u>	<u>155,000</u>
<i>Total</i>	<u>\$19,619,807</u>	<u>\$20,150,250</u>

Of the total outstanding debt, \$580,000 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 16 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. 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, 2011
(Unaudited)*

The District addressed the challenge of developing an overall facilities plan by entering into an agreement with the Ohio Schools Facilities Commission to construct new school buildings. Under the terms of the agreement, the District built two new elementary schools, one junior/senior high school and one auditorium. The total cost of this project was 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 high school. 100 percent of the cost of the auditorium was 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, 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 Bonnie Brockway, Treasurer, Jefferson Area Local School District, 121 So. Poplar Street, Jefferson, Ohio 44047.

Jefferson Area Local School District

Ashtabula County, Ohio

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,104,024
Intergovernmental Receivable	96,494
Property Taxes Receivable	7,618,858
Inventory Held for Resale	17,200
Materials and Supplies Inventory	12,271
Prepaid Items	30,943
Unamortized Bond Issuance Costs	181,520
Due from Other Funds	7,420
Nondepreciable Capital Assets	2,608,463
Depreciable Capital Assets, Net	50,633,527
<i>Total Assets</i>	<u>69,310,720</u>
Liabilities	
Accounts Payable	25,531
Accrued Wages and Benefits Payable	1,568,416
Contracts Payable	257,526
Intergovernmental Payable	497,326
Matured Compensated Absences Payable	257,499
Accrued Interest Payable	71,216
Deferred Revenue	3,815,428
Long-Term Liabilities:	
Due Within One Year	608,652
Due In More Than One Year	20,020,216
<i>Total Liabilities</i>	<u>27,121,810</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	34,841,543
Restricted for:	
Capital Projects	1,961,865
Debt Service	1,782,427
Other Purposes	1,127,975
Set-asides	1,661,406
Scholarships	1,239
Unrestricted	812,455
<i>Total Net Assets</i>	<u>\$42,188,910</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, 2011

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	\$9,480,075	\$733,661	\$821,788	\$0 (\$7,924,626)
Special	1,654,189	132,537	268,111	0 (1,253,541)
Vocational	144,022	13,733	0	0 (130,289)
Support Services:				
Pupils	1,423,482	139,635	6,750	0 (1,277,097)
Instructional Staff	176,522	13,294	31,457	0 (131,771)
Board of Education	20,942	1,999	0	0 (18,943)
Administration	1,123,177	111,763	14,000	0 (997,414)
Fiscal	721,933	65,198	0	0 (656,735)
Business	12,085	1,154	0	0 (10,931)
Operation and Maintenance of Plant	1,843,686	155,232	0	0 (1,688,454)
Pupil Transportation	1,328,963	118,900	0	0 (1,210,063)
Central	109,620	9,526	5,100	0 (94,994)
Operation of Non-Instructional Services	154,279	10,840	0	0 (143,439)
Operation of Food Services	810,093	272,269	422,427	0 (115,397)
Extracurricular Activities	454,041	98,299	4,100	0 (351,642)
Interest and Fiscal Charges	901,540	0	0	0 (901,540)
<i>Total Governmental Activities</i>	<u>\$20,358,649</u>	<u>\$1,878,040</u>	<u>\$1,573,733</u>	<u>\$0 (16,906,876)</u>
General Revenues				
Property Taxes Levied for:				
				4,961,271
				1,309,284
				263,533
				152,084
				9,535,614
				9,004
				266,849
				<u>16,497,639</u>
				(409,237)
				42,598,147
				<u>\$42,188,910</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$886,112	\$1,029,726	\$472,587	\$2,209,158	\$1,845,035	\$6,442,618
Interfund Receivable	502,778	0	0	0	0	502,778
Intergovernmental Receivable	1,025	0	0	0	95,469	96,494
Property Taxes Receivable	5,628,606	1,531,754	0	0	458,498	7,618,858
Inventory Held for Resale	0	0	0	0	17,200	17,200
Materials and Supplies Inventory	0	0	0	0	12,271	12,271
Prepaid Items	30,943	0	0	0	0	30,943
Due from Other Funds	7,420	0	0	0	0	7,420
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	1,661,406	0	0	0	0	1,661,406
<i>Total Assets</i>	<u>\$8,718,290</u>	<u>\$2,561,480</u>	<u>\$472,587</u>	<u>\$2,209,158</u>	<u>\$2,428,473</u>	<u>\$16,389,988</u>
Liabilities						
Accounts Payable	\$25,056	\$0	\$0	\$0	\$475	\$25,531
Accrued Wages and Benefits Payable	1,397,559	0	0	0	170,857	1,568,416
Contracts Payable	0	0	207,475	50,051	0	257,526
Intergovernmental Payable	460,551	0	0	0	36,775	497,326
Matured Compensated Absences Payable	257,499	0	0	0	0	257,499
Interfund Payable	0	0	424,426	0	78,352	502,778
Deferred Revenue	3,505,475	970,307	0	0	287,755	4,763,537
<i>Total Liabilities</i>	<u>5,646,140</u>	<u>970,307</u>	<u>631,901</u>	<u>50,051</u>	<u>574,214</u>	<u>7,872,613</u>
Fund Balances						
Nonspendable	32,210	0	0	0	30,514	62,724
Restricted	1,659,484	1,591,173	0	0	1,909,752	5,160,409
Committed	1,922	0	0	2,159,107	0	2,161,029
Assigned	254,998	0	0	0	0	254,998
Unassigned (Deficit)	1,123,536	0	(159,314)	0	(86,007)	878,215
<i>Total Fund Balances</i>	<u>3,072,150</u>	<u>1,591,173</u>	<u>(159,314)</u>	<u>2,159,107</u>	<u>1,854,259</u>	<u>8,517,375</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,718,290</u>	<u>\$2,561,480</u>	<u>\$472,587</u>	<u>\$2,209,158</u>	<u>\$2,428,473</u>	<u>\$16,389,988</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, 2011*

Total Governmental Fund Balances	\$8,517,375
 <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.	53,241,990
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	940,258
Intergovernmental Revenue	<u>7,851</u>
Total	948,109
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.	181,520
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(71,216)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(17,665,000)
Premium on Bonds Issued	(811,967)
Capital Appreciation Bonds	(689,979)
Accretion on Capital Appreciation Bonds	(347,861)
Long-Term Notes	(105,000)
Compensated Absences	<u>(1,009,061)</u>
Total	<u>(20,628,868)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$42,188,910</u></u>

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, 2011

	General	Bond Retirement	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$5,035,325	\$1,330,533	\$0	\$0	\$422,002	\$6,787,860
Tuition and Fees	1,491,049	0	0	0	0	1,491,049
Interest	2,295	950	3,041	1,682	1,036	9,004
Charges for Services	0	0	0	0	272,269	272,269
Extracurricular Activities	54,267	0	0	0	60,455	114,722
Contributions and Donations	5,100	0	0	0	0	5,100
Intergovernmental	9,164,763	218,424	0	0	1,742,406	11,125,593
Miscellaneous	256,393	0	2,099	3,357	5,000	266,849
<i>Total Revenues</i>	<u>16,009,192</u>	<u>1,549,907</u>	<u>5,140</u>	<u>5,039</u>	<u>2,503,168</u>	<u>20,072,446</u>
Expenditures						
Current:						
Instruction:						
Regular	7,759,534	0	0	0	891,094	8,650,628
Special	1,416,143	0	0	0	264,578	1,680,721
Vocational	143,838	0	0	0	0	143,838
Support Services:						
Pupils	1,464,409	0	0	0	10,960	1,475,369
Instructional Staff	131,033	0	0	0	37,221	168,254
Board of Education	20,942	0	0	0	0	20,942
Administration	1,152,012	0	0	0	15,465	1,167,477
Fiscal	690,689	27,070	0	0	9,294	727,053
Business	12,085	0	0	0	0	12,085
Operation and Maintenance of Plant	1,601,003	0	0	0	67,970	1,668,973
Pupil Transportation	1,235,147	0	0	0	49,154	1,284,301
Central	99,776	0	0	0	9,844	109,620
Operation of Non-Instructional Services	112,372	0	0	0	0	112,372
Operation of Food Services	0	0	0	0	729,323	729,323
Extracurricular Activities	396,372	0	0	0	53,395	449,767
Capital Outlay	0	0	2,953,553	331,275	0	3,284,828
Debt Service:						
Principal Retirement	0	560,000	0	0	0	560,000
Interest and Fiscal Charges	0	864,793	0	0	0	864,793
<i>Total Expenditures</i>	<u>16,235,355</u>	<u>1,451,863</u>	<u>2,953,553</u>	<u>331,275</u>	<u>2,138,298</u>	<u>23,110,344</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(226,163)</u>	<u>98,044</u>	<u>(2,948,413)</u>	<u>(326,236)</u>	<u>364,870</u>	<u>(3,037,898)</u>
Other Financing Sources (Uses)						
Transfers In	0	53,972	400,000	0	108,133	562,105
Transfers Out	(162,105)	0	0	(400,000)	0	(562,105)
<i>Total Other Financing Sources (Uses)</i>	<u>(162,105)</u>	<u>53,972</u>	<u>400,000</u>	<u>(400,000)</u>	<u>108,133</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(388,268)</u>	<u>152,016</u>	<u>(2,548,413)</u>	<u>(726,236)</u>	<u>473,003</u>	<u>(3,037,898)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	3,460,418	1,439,157	2,389,099	2,885,343	1,381,256	11,555,273
<i>Fund Balances (Deficit) End of Year</i>	<u>\$3,072,150</u>	<u>\$1,591,173</u>	<u>(\$159,314)</u>	<u>\$2,159,107</u>	<u>\$1,854,259</u>	<u>\$8,517,375</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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$3,037,898)

***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	3,875,571	
Current Year Depreciation	(1,845,847)	
Total		2,029,724

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

Property Taxes	(101,688)	
Intergovernmental Revenue	(148,577)	
Total		(250,265)

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. 560,000

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	1,701	
Accreted Interest on Capital Appreciation Bonds	(69,327)	
Amortization of Bond Issuance Premium	39,770	
Amortization of Bond Issuance Costs	(8,891)	
Total		(36,747)

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. 325,949

Change in Net Assets of Governmental Activities **(\$409,237)**

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, 2011*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$5,747,189	\$5,128,007	\$5,128,007	\$0
Tuition and Fees	1,250,474	1,474,094	1,474,094	0
Interest	1,830	2,157	2,295	138
Contributions and Donations	1,000	1,000	1,000	0
Intergovernmental	7,773,599	9,163,738	9,163,738	0
Miscellaneous	202,351	242,484	242,730	246
<i>Total Revenues</i>	<u>14,976,443</u>	<u>16,011,480</u>	<u>16,011,864</u>	<u>384</u>
Expenditures				
Current:				
Instruction:				
Regular	8,219,956	8,232,124	7,745,899	486,225
Special	1,473,814	1,614,675	1,446,138	168,537
Vocational	145,380	145,380	142,715	2,665
Support Services:				
Pupils	1,815,765	1,932,148	1,470,512	461,636
Instructional Staff	128,018	128,211	112,890	15,321
Board of Education	21,309	23,602	23,089	513
Administration	1,271,856	1,323,079	1,133,542	189,537
Fiscal	749,117	774,753	693,790	80,963
Business	11,297	16,691	12,085	4,606
Operation and Maintenance of Plant	1,663,295	1,965,913	1,746,336	219,577
Pupil Transportation	1,393,469	1,426,948	1,262,276	164,672
Central	239,440	249,431	108,049	141,382
Operation of Non-Instructional Services	75,615	77,009	72,486	4,523
Extracurricular Activities	412,286	412,286	406,128	6,158
<i>Total Expenditures</i>	<u>17,620,617</u>	<u>18,322,250</u>	<u>16,375,935</u>	<u>1,946,315</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,644,174)</u>	<u>(2,310,770)</u>	<u>(364,071)</u>	<u>1,946,699</u>
Other Financing Sources (Uses)				
Advances Out	0	0	(424,426)	(424,426)
Transfers In	6,493	6,493	6,493	0
Transfers Out	(168,597)	(168,597)	(168,597)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(162,104)</u>	<u>(162,104)</u>	<u>(586,530)</u>	<u>(424,426)</u>
<i>Net Change in Fund Balance</i>	(2,806,278)	(2,472,874)	(950,601)	1,522,273
<i>Fund Balance Beginning of Year</i>	2,590,689	2,590,689	2,590,689	0
<i>Prior Year Encumbrances Appropriated</i>	625,951	625,951	625,951	0
<i>Fund Balance End of Year</i>	<u>\$410,362</u>	<u>\$743,766</u>	<u>\$2,266,039</u>	<u>\$1,522,273</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, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$43,419	\$34,689
Liabilities		
Due to Students	0	\$27,269
Due to Other Funds	0	7,420
<i>Total Liabilities</i>	0	\$34,689
Net Assets		
Held in Trust for Scholarships	\$43,419	

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, 2011

	<u>Scholarship</u>
Additions	
Interest	\$10
Contributions and Donations	<u>25,000</u>
<i>Total Additions</i>	25,010
Deductions	
Payments in Accordance with Trust Agreements	<u>1,000</u>
<i>Change in Net Assets</i>	24,010
<i>Net Assets Beginning of Year</i>	<u>19,409</u>
<i>Net Assets End of Year</i>	<u><u>\$43,419</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 Fiscal Year Ended June 30, 2011

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 124 certified employees and 94 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 Fiscal Year Ended June 30, 2011

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 - The general fund is the operating fund of the School District and 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund - The bond retirement fund accounts for the retirement of serial bonds and short-term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

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 use is restricted, committed or assigned to a particular purpose.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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 government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

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.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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 in the general fund are reported as assigned fund balance for subsequent-year expenditures.

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 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 2011 amounted to \$2,295, none of which was assigned from other District funds.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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 and budget stabilization. See Note 20 for additional information regarding set asides.

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 a 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.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education, which may be expressed by a motion but need not be passed by formal action, such as a Board Resolution.

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

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

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 \$6,534,912, 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 Fiscal Year Ended June 30, 2011

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 received 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 2011.

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 – Change in Accounting Principle and Restatement of Prior Year Fund Balances

A. Change in Accounting Principle

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the District’s financial statements.

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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

B. Restatement of Prior Year Fund Balance

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Balance at June 30, 2010	\$3,411,022	\$1,439,157	\$2,389,099	\$2,885,343	\$1,430,652	\$11,555,273
Change in Fund Structure	49,396	0	0	0	(49,396)	0
Adjusted Balance at June 30, 2010	<u>\$3,460,418</u>	<u>\$1,439,157</u>	<u>\$2,389,099</u>	<u>\$2,885,343</u>	<u>\$1,381,256</u>	<u>\$11,555,273</u>

Note 4 – Accountability

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

<u>Major Governmental Fund:</u>	<u>Deficit</u>
Building	\$159,314
<u>Nonmajor Governmental Funds:</u>	
Management Information Systems	2,519
Title I	67,998
Miscellaneous Federal Grants	4,314

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.

Note 5 – 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

*As part of Governmental Accounting Standards Board No. 54 "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the General fund on a GAAP basis. These include the uniform school supplies and public school support special revenue funds.

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	(\$388,268)
Net Adjustment for Revenue Accruals	17,345
Net Adjustment of Funds Budgeted as Special Revenue	(8,180)
Net Adjustment for Expenditure Accruals	79,690
Advances Out	(424,426)
Adjustment for Encumbrances	<u>(226,762)</u>
Budget Basis	<u><u>(\$950,601)</u></u>

Note 6 – 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;

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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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.

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 \$6,563,068, and \$6,314,836 of the School District's bank balance of \$6,565,925 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, 2011, 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	<u>\$1,619,064</u>	Six Months or Less

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.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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.

Concentration of Credit Risk The School District places no limit on the account it may invest in any one issuer. The following is the School District's allocation as of June 30, 2011:

<u>Investment</u>	<u>Percentage of Investment</u>
Government & Agency Mutual Funds	<u>100.00%</u>

Note 7 – 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 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 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 2011 (other than public utility property) represents the collection of 2011 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. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. 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.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2011 was \$2,123,131 in the general fund, \$561,447 in the bond retirement debt service fund, \$113,709 in the permanent improvement capital projects fund and \$64,885 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2010 was \$2,215,813 in the general fund, \$587,923 in the bond retirement debt service fund, \$119,425 in the permanent improvement capital projects fund and \$67,879 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$236,750,820	95.8%	\$240,081,140	96.8%
Public Utility Personal	7,700,120	3.1%	7,862,190	3.2%
General Business Personal	2,768,787	1.1%	0	0.0%
	<u>\$247,219,727</u>	<u>100.0%</u>	<u>\$247,943,330</u>	<u>100.0%</u>
Tax Rate per \$1,000 of assessed valuation	\$54.73		\$54.73	

Note 8 – Fund Balances

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

Fund Balances	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental	Total
<i>Nonspendable</i>						
Inventory	\$0	\$0	\$0	\$0	\$29,471	\$29,471
Prepays	30,943	0	0	0	0	30,943
Unclaimed Funds	1,267	0	0	0	0	1,267
Permanent Fund Principal	0	0	0	0	1,043	1,043
<i>Total Nonspendable</i>	32,210	0	0	0	30,514	62,724
<i>Restricted for</i>						
College Scholarships	0	0	0	0	196	196
Technology Improvements	0	0	0	0	348	348
Classroom Maintenance	0	0	0	0	1,139,281	1,139,281
Athletics & Music	0	0	0	0	43,937	43,937
Fiscal Stabilization	0	0	0	0	23,588	23,588
Classroom Size Reduction	0	0	0	0	8,542	8,542
Debt Service Payments	0	1,591,173	0	0	0	1,591,173
Capital Improvements	0	0	0	0	687,550	687,550
Other Purposes	0	0	0	0	6,310	6,310
Set Asides	1,659,484	0	0	0	0	1,659,484
<i>Total Restricted</i>	1,659,484	1,591,173	0	0	1,909,752	5,160,409
<i>Committed to</i>						
Capital Improvements	0	0	0	2,159,107	0	2,159,107
Budget Stabilization	1,922	0	0	0	0	1,922
<i>Total Committed</i>	1,922	0	0	2,159,107	0	2,161,029
<i>Assigned to</i>						
Other Purposes	54,717	0	0	0	0	54,717
Encumbrances	200,281	0	0	0	0	200,281
<i>Total Assigned</i>	254,998	0	0	0	0	254,998
<i>Unassigned (Deficit)</i>	1,123,536	0	(159,314)	0	(86,007)	878,215
<i>Total Fund Balances</i>	\$3,072,150	\$1,591,173	(\$159,314)	\$2,159,107	\$1,854,259	\$8,517,375

Note 9 – Receivables

Receivables at June 30, 2011 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.

Jefferson Area Local School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds:	
General Fund	\$1,025
Non-major Governmental Funds:	
Federal Lunchroom Subsidy	55,040
Title I Grant	28,262
Reducing Class Size Grant	12,167
Total Intergovernmental Receivable	\$96,494

Note 10 – Capital Assets

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

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$712,381	\$0	\$0	\$712,381
Construction in Progress	2,568,540	3,816,590	(4,489,048)	1,896,082
<i>Total Capital Assets, not being depreciated:</i>	3,280,921	3,816,590	(4,489,048)	2,608,463
<i>Capital Assets, being depreciated:</i>				
Land Improvements	20,573	0	0	20,573
Buildings and Improvements	47,469,001	4,489,048	0	51,958,049
Furniture, Equipment and Fixtures	2,720,872	15,733	0	2,736,605
Vehicles	1,868,940	43,248	0	1,912,188
<i>Total Capital Assets, being depreciated:</i>	52,079,386	4,548,029	0	56,627,415
Less Accumulated Depreciation:				
Land Improvements	(16,262)	(2,849)	0	(19,111)
Buildings and Improvements	(1,902,052)	(1,479,055)	0	(3,381,107)
Furniture, Equipment and Fixtures	(1,514,067)	(298,433)	0	(1,812,500)
Vehicles	(715,660)	(65,510)	0	(781,170)
<i>Total Accumulated Depreciation</i>	(4,148,041)	(1,845,847)	0	(5,993,888)
<i>Total Capital Assets being depreciated, net</i>	47,931,345	2,702,182	0	50,633,527
Governmental Activities Capital Assets, Net	\$51,212,266	\$6,518,772	(\$4,489,048)	\$53,241,990

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,202,022
Special	62,702
Vocational	184
Support Services:	
Instructional Staff	64
Administration	37,163
Operation and Maintenance of Plant	255,562
Pupil Transportation	162,715
Operation of Non-Instructional Services	40,738
Operation of Food Services	80,423
Extracurricular Activities	4,274
Total Depreciation Expense	\$1,845,847

Note 11 – Interfund Activity

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers To	Transfers From		Total
	General	Classroom Facilities	
<i>Major Governmental Funds:</i>			
Building Fund	\$0	\$400,000	\$400,000
Bond Retirement Fund	53,972	0	53,972
<i>Nonmajor Governmental Funds:</i>			
Food Service Fund	66,738	0	66,738
Summer Intervention	1,952	0	1,952
Title I	39,443	0	39,443
Total	\$162,105	\$400,000	\$562,105

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.

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B. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2011, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
Major Governmental Fund:		
General	\$502,778	\$0
Building Fund	0	424,426
Non-major Governmental Funds:		
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
	\$502,778	\$502,778

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, 2011 are classified as "Due to/from Other Funds" and consisted of an advance from the general fund (Public School Support) to the student activities agency fund for \$7,420.

Note 12 – 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 2011, 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.

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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 13 - 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 on SERS' website at 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, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 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, 2011, 2010 and 2009 were \$266,530, \$291,222, and \$198,693, respectively; 46.7 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 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.

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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.

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.

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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, 2011, were 10 percent of covered payroll for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009, were \$986,040, \$965,655, and \$933,515, respectively; 81.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$39,468 made by the School District and \$28,192 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2010 *Comprehensive Annual Financial Report* will be available sometime after December 31, 2010.

Additional information or copies of STRS Ohio's 2010 *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.

Note 14 - 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 monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. 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 2011, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$17,152, \$17,318 and \$16,394, respectively, which equaled the required contributions each year.

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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 administered 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, 2011, the health care allocation is 1.43 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. State law provides 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 2011, 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, 2011, 2010 and 2009 were \$67,276, \$43,674 and \$124,123, respectively; 46.7 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 on SERS' website at www.ohsers.org under Employers/Audit Resources.

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 2011, 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, 2011, 2010 and 2009 were \$75,849, \$74,281, and \$71,809, respectively; 81.3 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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Note 15 – 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 \$50,215,466 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 several 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 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

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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 16 – Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2011, are as follows:

Governmental-Type Activities	Principal Outstanding 6/30/10	Additions	Deductions	Principal Outstanding 6/30/11	Amounts due in One Year
General Obligation Bonds					
2006 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	\$6,920,000	\$0	\$510,000	\$6,410,000	\$0
Current Interest Term Bonds	11,255,000	0	0	11,255,000	0
Unamortized Premium	851,737	0	39,770	811,967	0
Capital Appreciation Bonds	689,979	0	0	689,979	340,090
Accretion on Capital Appreciation Bonds	278,534	69,327	0	347,861	189,910
Total General Obligation Bonds	19,995,250	69,327	549,770	19,514,807	530,000
Other Long-Term Obligations:					
Energy Conservation Note	155,000	0	50,000	105,000	50,000
Compensated Absences	1,335,010	47,258	373,207	1,009,061	28,652
Total Other Long-Term Obligations	1,490,010	47,258	423,207	1,114,061	78,652
Total Long-Term Obligations	\$21,485,260	\$116,585	\$972,977	\$20,628,868	\$608,652

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 \$69,327 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.

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

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The School District's overall legal debt margin was \$4,738,497 with an unvoted debt margin of \$216,073 at June 30, 2011. Principal requirements to retire general obligation debt and long-term notes and loans outstanding at June 30, 2011, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	610,000	813,605	1,423,605	0	0	0
2016	645,000	788,505	1,433,505	0	0	0
2017 - 2021	3,710,000	3,432,525	7,142,525	0	0	0
2022 - 2026	4,745,000	2,380,650	7,125,650	0	0	0
2027 - 2031	5,990,000	1,105,448	7,095,448	0	0	0
2032	1,380,000	34,500	1,414,500	0	0	0
Total	\$17,665,000	\$11,091,148	\$28,756,148	\$689,979	\$425,021	\$1,115,000

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2012	\$50,000	\$4,100	\$54,100
2013	55,000	1,409	56,409
<i>Total</i>	<u>\$105,000</u>	<u>\$5,509</u>	<u>\$110,509</u>

Note 17 – Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN) NEOMIN is a jointly governed organization among participating 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 2011. 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, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

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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 2011. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Note 18 – 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 19 – 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 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, 2011.

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Note 20 – 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, 2010	\$1,445,429	\$0	\$1,922
Current Year Set-Aside Requirement	292,533	292,533	0
Qualifying Disbursements	(78,478)	(6,220)	0
Current year offsets	<u>0</u>	<u>(584,175)</u>	<u>0</u>
Total	<u>\$1,659,484</u>	<u>(\$297,862)</u>	<u>\$1,922</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$1,922</u>
Cash balance as of June 30, 2011	<u>\$1,659,484</u>	<u>\$0</u>	<u>\$1,922</u>

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This balance is therefore not being presented as being carried forward to the future fiscal year.

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 21 – Operating Lease

The District entered into a lease for copy machines commencing October 2009 for 60 months. Total expenditures on this lease for the fiscal year ended June 30, 2011 were \$19,644. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2012	\$19,644
2013	19,644
2014	19,644
2015	<u>4,911</u>
Total	<u>\$63,843</u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 22 – Contractual Commitments

As of June 30, 2011, the District had contractual commitments outstanding for the following projects:

	<u>Contractual Commitments</u>	<u>Expended</u>	<u>Balance 6/30/2011</u>
<i>Board Office:</i>			
Brown Sprinkler Service	\$21,000	\$0	\$21,000
C. Tucker Cope & Associates	1,155,681	455,544	700,137
Detrick Industrial Piping	64,330	19,515	44,815
Have, Inc.	52,770	17,846	34,924
RJ Martin Electrical	153,376	55,712	97,664
<i>Total Board Office</i>	<u>1,447,157</u>	<u>548,617</u>	<u>898,540</u>
<i>Jefferson Junior & Senior High (Including Stadium)</i>			
Blaze Building Corporation	\$12,227,465	\$12,027,465	\$200,000
Buehrer Group	1,743,543	1,725,157	18,386
C. Tucker Cope & Associates	1,207,120	1,207,120	0
Dial Electric LTD.	68,552	68,552	0
Housel Construction	149,503	149,503	0
Infinity Paving	249,889	249,889	0
Marous Brothers Construction	1,250,652	1,250,652	0
Penn-Ohio Electrical Company	160,100	153,722	6,378
Proquality Land Development	268,400	195,594	72,806
Robert Anchor Plumbing Inc.	311,200	311,200	0
Spectra Contract Flooring	382,894	382,894	0
Western Reserve Mechanical	2,560,253	2,525,423	34,830
<i>Total Junior & Senior High</i>	<u>20,579,571</u>	<u>20,247,171</u>	<u>332,400</u>
Total Contractual Commitments	<u><u>\$22,026,728</u></u>	<u><u>\$20,795,788</u></u>	<u><u>\$1,230,940</u></u>

Note 23 – New Accounting Standards

In November of 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements.” The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements, a type of public-private or public-public partnership. Statement No. 60 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In November of 2010, the GASB also issued Statement No. 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity by modifying the requirements for including component units and also amending the criteria for reporting component units. Statement No. 61 will not be effective for the District until fiscal year 2013 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	N/A	10.555	\$47,916	\$47,916
Cash Assistance:				
National School Lunch Program		10.555	296,291	296,291
National School Breakfast Program		10.553	74,156	74,156
Total - Nutrition Cluster			<u>418,363</u>	<u>418,363</u>
Total U.S. Department of Agriculture			418,363	418,363
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies Cluster:				
Title I Grants to Local Educational Agencies	FY 2010	84.010	31,578	71,021
Title I Grants to Local Educational Agencies	FY 2011	84.010	250,195	244,791
ARRA Title I Grants to Local Educational Agencies	FY 2010	84.389	25,854	26,172
ARRA Title I Grants to Local Educational Agencies	FY 2011	84.389	63,068	63,068
Total Title I Grants to Local Educational Agencies Cluster			<u>370,695</u>	<u>405,052</u>
Safe and Drug Free Schools and Communities Grant	FY 2010	84.186	5,515	6,128
Safe and Drug Free Schools and Communities Grant	FY 2009	84.186	-	140
			<u>5,515</u>	<u>6,268</u>
Improving Teacher Quality State Grants	FY 2010	84.367	43,404	40,838
Improving Teacher Quality State Grants	FY 2011	84.367	70,717	68,951
Total Improving Teacher Quality State Grants			<u>114,121</u>	<u>109,789</u>
Educational Technology State Grants	FY 2010	84.318	2,160	2,160
Educational Technology State Grants	FY 2011	84.318	1,040	1,040
Total Educational Technology State Grants			<u>3,200</u>	<u>3,200</u>
ARRA State Fiscal Stabilization Fund	FY 2010	84.394	-	87,911
ARRA State Fiscal Stabilization Fund	FY 2011	84.394	650,469	528,290
Total ARRA State Fiscal Stabilization Fund			<u>650,469</u>	<u>616,201</u>
Race to the Top	FY2011	84.395	8,233	8,233
Total U.S. Department of Education			<u>1,152,233</u>	<u>1,148,743</u>
Total			<u>\$1,570,596</u>	<u>\$1,567,106</u>

The accompanying notes are an integral part of this schedule.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B- CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATED PROGRAM

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

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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INDEPENDENT ACCOUNTANTS' 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

Jefferson Area Local School District
Ashtabula County
121 South Poplar Street
Jefferson, OH 44047

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the District), Ashtabula County, Ohio as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2011, in which we noted the District implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of 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 timely corrected.

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 29, 2011.

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

CANTER & ASSOCIATES



Poland, Ohio

December 29, 2011



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

Jefferson Area Local School District
Ashtabula County
121 South Poplar Street
Jefferson, OH 44047

To the Board of Education:

Compliance

We have audited the compliance of the Jefferson Area Local School District (the District), Ashtabula County, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could directly and materially effect each of Jefferson Area Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. 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 occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Jefferson Area Local School District, Ashtabula County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

We intend this report solely for the information and use of management, the Board of Education, others within the District, and 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.



CANTER & ASSOCIATES

Poland, Ohio

December 29, 2011

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
YEAR ENDED JUNE 30, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNQUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I – 84.010 / 84.389; State Fiscal Stabilization Fund – 84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

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

NONE

3. FINDINGS FOR FEDERAL AWARDS

NONE

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-1	ORC 5705.41(B) – legal level of control expenditures exceeding appropriations	Yes	
2010-2	ORC 5705.39 – appropriations exceeded estimated resources	Yes	
2010-3	Material Weakness – various adjustments to financials	Yes	
2010-4	Material Weakness – Reconciliations not accurate	Yes	
2010-5	Filing Annual report on time	Yes	
2010-6	Federal Title 1 – Reporting Final Expenditure Report filed late	Yes	



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Independent Accountants' Report on Applying Agreed-Upon Procedures

Jefferson Area Local School District
Ashtabula County
121 South Poplar Street
Jefferson, Ohio 44047

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Jefferson Area Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. 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 did not amend its anti-harassment policy to include violence within a dating relationship within the definition of harassment, intimidation or bullying.

Ohio Revised Code §3313.666, required the Board to amend its definition by September 28, 2010.

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

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

Canter & Assoc

Canter and Associates
Poland, Ohio

December 29, 2011



Dave Yost • 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
MARCH 13, 2012