

**JEFFERSON LOCAL  
SCHOOL DISTRICT**

**MADISON COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2007***

**JILL SMITH, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Jefferson Local School District  
906 W. Main Street  
West Jefferson, Ohio 43162-1144

We have reviewed the *Independent Auditor's Report* of the Jefferson Local School District, Madison County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 26, 2007

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**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

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# **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

## Independent Auditor's Report

Board of Education  
Jefferson Local School District  
906 W. Main Street  
West Jefferson, OH 43162-1144

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise the Jefferson Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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 Local School District, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2007 on our consideration of the Jefferson Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Board of Education  
Jefferson Local School District  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
October 18, 2007



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The management's discussion and analysis of the Jefferson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$2,188,698 which represents a 10.20% increase from 2006.
- General revenues accounted for \$12,099,813 in revenue or 85.45% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,059,680 or 14.55% of total revenues of \$14,159,493.
- The District had \$11,970,795 in expenses related to governmental activities; \$2,059,680 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,099,813 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund and classroom facilities fund. The general fund had \$10,876,212 in revenues and other financing sources and \$9,611,355 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$1,264,857 from \$5,862,989 to \$7,127,846.
- The debt service fund, had \$3,202,598 in revenues and other financing sources and \$3,293,916 in expenditures. During fiscal year 2007, the debt service fund's fund balance decreased \$91,318 from \$1,074,460 to \$983,142.
- The classroom facilities fund, had \$828,376 in revenues and \$6,517,070 in expenditures. During fiscal year 2007, the classroom facilities fund's fund balance decreased \$5,688,694 from \$6,581,685 to \$892,991.

**Using these Basic Financial Statements**

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you to 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 basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary Funds***

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

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

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-51 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets for 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 15,742,564	\$ 23,574,856
Capital assets, net	<u>30,827,427</u>	<u>23,044,213</u>
Total assets	<u>46,569,991</u>	<u>46,619,069</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,649,891	7,366,615
Long-term liabilities	<u>17,266,550</u>	<u>17,787,602</u>
Total liabilities	<u>22,916,441</u>	<u>25,154,217</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	14,820,352	6,265,393
Restricted	2,536,553	9,931,921
Unrestricted	<u>6,296,645</u>	<u>5,267,538</u>
Total net assets	<u>\$ 23,653,550</u>	<u>\$ 21,464,852</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$23,653,550. Of this total, \$2,536,553 is restricted in use.

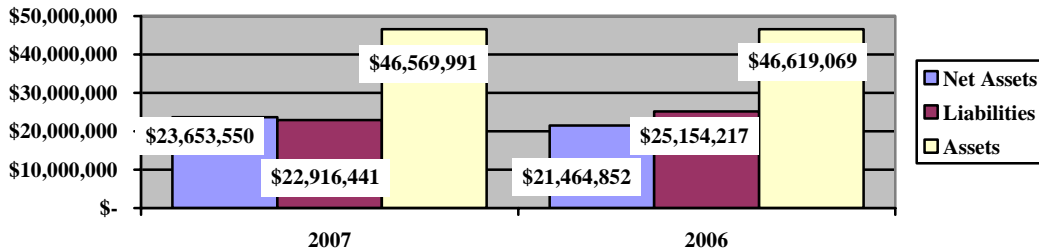
**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

At year-end, capital assets represented 66.20% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$14,820,352. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,536,553, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,296,645 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2007 and 2006.

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,132,619	\$ 1,025,408
Operating grants and contributions	912,478	634,505
Capital grants and contributions	14,583	-
General revenues:		
Property taxes	5,342,590	5,692,883
School District income tax	828,329	697,874
Grants and entitlements	4,975,019	4,894,786
Payment in lieu of taxes	380,250	495,502
Investment earnings	568,751	902,449
Other	4,874	41,286
Total revenues	<u>\$ 14,159,493</u>	<u>\$ 14,384,693</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,689,817	\$ 4,571,307
Special	1,335,323	1,303,198
Support services:		
Pupil	514,131	432,418
Instructional staff	427,361	439,387
Board of education	135,384	61,446
Administration	818,813	689,267
Fiscal	389,522	450,061
Business	61,981	17,967
Operations and maintenance	1,254,196	1,007,012
Pupil transportation	482,337	463,447
Central	249,331	359,830
Operations of non-instructional services:		
Food service operations	458,351	445,959
Extracurricular activities	470,335	423,280
Interest and fiscal charges	<u>683,913</u>	<u>670,873</u>
Total expenses	<u>11,970,795</u>	<u>11,335,452</u>
Change in net assets	2,188,698	3,049,241
Net assets at beginning of year	<u>21,464,852</u>	<u>18,415,611</u>
Net assets at end of year	<u>\$ 23,653,550</u>	<u>\$ 21,464,852</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$2,188,698. Total governmental expenses of \$11,970,795 were offset by program revenues of \$2,059,680 and general revenues of \$12,099,813. Program revenues supported 17.21% of the total governmental expenses.

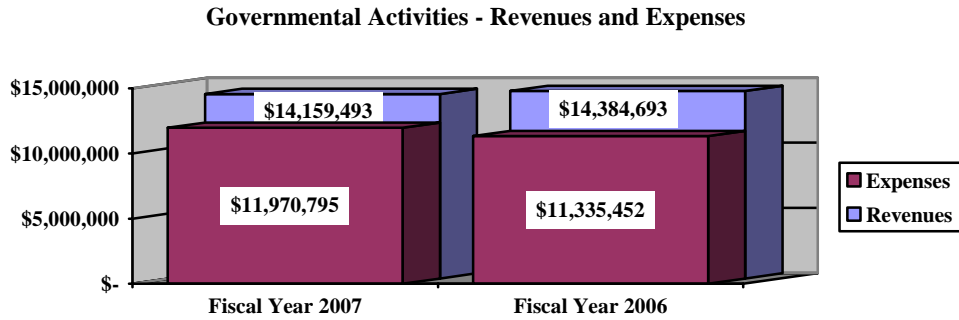
The primary sources of revenue for governmental activities are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 78.72% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,025,140 or 50.33% of total governmental expenses for fiscal 2007.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2007 and 2006.

**Governmental Activities**

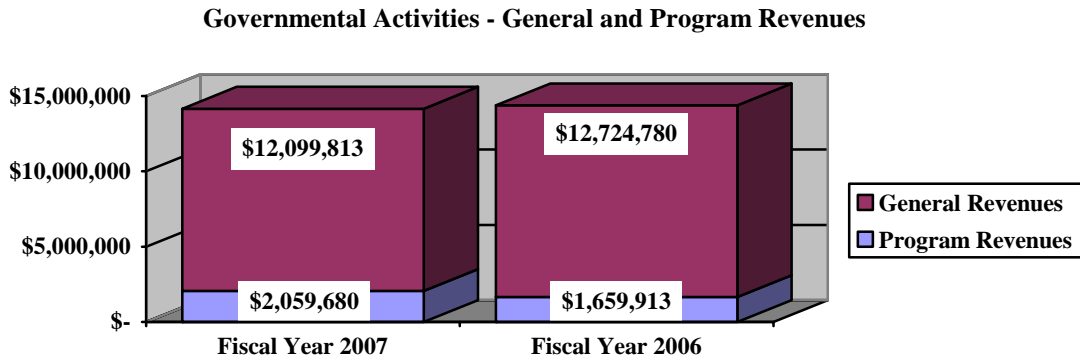
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,689,817	\$ 3,930,448	\$ 4,571,307	\$ 3,900,700
Special	1,335,323	1,022,507	1,303,198	942,101
Support services:				
Pupil	514,131	500,853	432,418	415,489
Instructional staff	427,361	117,937	439,387	421,185
Board of education	135,384	135,384	61,446	61,446
Administration	818,813	818,813	689,267	689,267
Fiscal	389,522	389,522	450,061	450,061
Business	61,981	61,981	17,967	17,967
Operations and maintenance	1,254,196	1,251,365	1,007,012	1,006,286
Pupil transportation	482,337	459,658	463,447	463,447
Central	249,331	232,631	359,830	343,066
Operations of non-instructional services:				
Food service operations	458,351	(20,101)	445,959	(8,072)
Extracurricular activities	470,335	326,204	423,280	301,723
Interest and fiscal charges	683,913	683,913	670,873	670,873
<b>Total expenses</b>	<u>\$ 11,970,795</u>	<u>\$ 9,911,115</u>	<u>\$ 11,335,452</u>	<u>\$ 9,675,539</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 82.20% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.79%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$9,819,106, which is lower than last year's total of \$15,830,425. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 7,127,846	\$ 5,862,989	\$ 1,264,857	21.57 %
Debt Service	983,142	1,074,460	(91,318)	(8.50) %
Classroom Facilities	892,991	6,581,685	(5,688,694)	(86.43) %
Other Governmental	<u>815,127</u>	<u>2,311,291</u>	<u>(1,496,164)</u>	(64.73) %
Total	<u>\$ 9,819,106</u>	<u>\$15,830,425</u>	<u>\$ (6,011,319)</u>	(37.97) %

**General Fund**

The District's general fund balance increased \$1,264,857. The table that follows assists in illustrating the financial activities of the general fund.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

	<u>2007</u> Amount	<u>2006</u> Amount	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,118,720	\$ 5,118,860	\$ (140)	(0.00) %
Tuition	557,152	536,678	20,474	3.81 %
Earnings on investments	356,422	249,605	106,817	42.79 %
Intergovernmental	4,453,190	4,124,713	328,477	7.96 %
Other revenues	<u>387,955</u>	<u>531,163</u>	<u>(143,208)</u>	(26.96) %
 Total	 <u>\$10,873,439</u>	 <u>\$10,561,019</u>	 <u>\$ 312,420</u>	 2.96 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,090,035	\$ 5,057,097	\$ 32,938	0.65 %
Support services	3,903,528	3,605,820	297,708	8.26 %
Extracurricular activities	338,475	306,125	32,350	10.57 %
Facilities acquisition and construction	30,097	14,589	15,508	106.30 %
Debt service	<u>26,220</u>	<u>28,414</u>	<u>(2,194)</u>	(7.72) %
 Total	 <u>\$ 9,388,355</u>	 <u>\$ 9,012,045</u>	 <u>\$ 376,310</u>	 4.18 %

The significant increase in earnings on investments is primarily due to an increase in interest rates. The decrease in other revenue is due to a decrease in receipts for payments in lieu of taxes. The increase in facilities acquisition and construction is due to equipment purchases upon the completion of the additions to the high school/middle school and the elementary school.

***Debt Service Fund***

The debt service fund had \$3,202,598 in revenues and other financing sources and \$3,293,916 in expenditures. During fiscal year 2007, the debt service fund's fund balance decreased \$91,318, or 8.50% of the 2006 fund balance. The debt service fund's revenues decreased 6.30% due to a decrease in tax receipts in the current year, which primarily contributed to the decrease in fund balance. Overall, activity was consistent with the previous year.

***Classroom Facilities Fund***

The classroom facilities fund had \$828,376 in revenues and \$6,517,070 in expenditures. During fiscal year 2007, the classroom facilities fund's fund balance decreased \$5,688,694 due to the completion of the OSFC renovation/addition projects during fiscal year 2007.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,851,620 and final budgeted revenues and other financing sources were \$11,183,270. Actual revenues and other financing sources for fiscal 2007 were \$11,189,759. This represents a \$6,489 increase over final budgeted revenues and other financing sources.



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,057,676 were not amended during the fiscal year. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$10,070,473, which was \$12,797 above the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2007, the District had \$30,827,427 land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 254,158	\$ 254,158
Construction in progress	-	21,293,203
Land improvements	317,596	281,202
Building and improvements	29,652,003	797,618
Furniture and equipment	350,796	231,236
Vehicles	<u>252,874</u>	<u>186,796</u>
Total	<u>\$ 30,827,427</u>	<u>\$ 23,044,213</u>

The overall increase in capital assets of \$7,783,214 is due to the completion of construction for the OSFC project which began during fiscal year 2004, but the most significant portion of the renovations occurred during fiscal year 2006. The projects were completed during fiscal year 2007. Capital outlays of \$8,410,829 exceeded depreciation expense of \$467,326 and disposals of \$160,289 (net of accumulated depreciation) in the current fiscal year. The disposals include the demolition of the Frey Memorial Middle School.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2007, the District had \$153,000 in energy conservation bonds, \$13,970,000 in general obligation bonds, \$2,000,000 in bond anticipation notes, and \$53,827 in capital lease obligations outstanding. Of this total, \$2,358,736 is due within one year and \$13,818,091 is due in greater than one year. The following table summarizes the bonds, notes and leases outstanding.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)**

**Outstanding Debt, at Year End**

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Energy conservation bonds	\$ 153,000	\$ 204,000
Capital lease obligations	53,827	74,820
General obligation bonds	13,970,000	14,200,000
Bond anticipation notes	<u>2,000,000</u>	<u>2,300,000</u>
Total	<u>\$ 16,176,827</u>	<u>\$ 16,778,820</u>

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has committed itself to educational and financial excellence for many years. The budgeting and internal controls utilized by the District are well regarded by the Auditor of State, as exemplified by the unqualified audit opinions that have been received. The District uses a five-year forecast of the general fund, which is closely monitored by the Board of Education and administration, as a tool to manage resources effectively.

As most of the financial information in this report shows, the District relies heavily on its taxpayers. Our communities' support was recently measured by the passage of a \$16.9 million bond issue in November 2003 and the renewal of the 0.5% income tax for operating purposes in March 2004. The support of these two issues demonstrates the strong belief of community members that their schools are one of their highest priorities.

The District has communicated to its community the reliance upon their support for the majority of its operations, and that it will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan.

The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support a quality educational program.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Jill Smith, Treasurer, Jefferson Local School District, 906 West Main Street, West Jefferson, Ohio 43162-1144.

**BASIC  
FINANCIAL STATEMENTS**

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 9,667,516
Cash with escrow agent. . . . .	161,749
Receivables:	
Taxes . . . . .	5,583,711
Accounts . . . . .	4,782
Intergovernmental . . . . .	54,611
Accrued interest . . . . .	28,880
Prepayments . . . . .	44,793
Materials and supplies inventory . . . . .	26,770
Unamortized bond issue costs . . . . .	169,752
Capital assets:	
Land . . . . .	254,158
Depreciable capital assets, net . . . . .	30,573,269
Total capital assets, net. . . . .	30,827,427
Total assets. . . . .	46,569,991
<b>Liabilities:</b>	
Accounts payable. . . . .	57,284
Contracts payable. . . . .	319,319
Retainage payable . . . . .	161,749
Accrued wages and benefits . . . . .	811,367
Pension obligation payable. . . . .	250,769
Intergovernmental payable . . . . .	16,296
Unearned revenue . . . . .	3,872,740
Claims payable . . . . .	68,355
Accrued interest payable . . . . .	92,012
Long-term liabilities:	
Due within one year. . . . .	2,419,141
Due in more than one year . . . . .	14,847,409
Total liabilities . . . . .	22,916,441
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	14,820,352
Restricted for:	
Capital projects . . . . .	1,310,243
Debt service. . . . .	897,230
School facilities projects . . . . .	221,903
Locally funded programs. . . . .	14,985
State funded programs . . . . .	23,147
Federally funded programs. . . . .	5,073
Student activities. . . . .	62,596
Other purposes . . . . .	1,376
Unrestricted . . . . .	6,296,645
Total net assets . . . . .	\$ 23,653,550

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,689,817	\$ 678,218	\$ 73,935	\$ 7,216	\$ (3,930,448)
Special . . . . .	1,335,323	-	312,816	-	(1,022,507)
Support services:					
Pupil. . . . .	514,131	-	13,278	-	(500,853)
Instructional staff . . . . .	427,361	-	309,424	-	(117,937)
Board of education . . . . .	135,384	-	-	-	(135,384)
Administration. . . . .	818,813	-	-	-	(818,813)
Fiscal. . . . .	389,522	-	-	-	(389,522)
Business. . . . .	61,981	-	-	-	(61,981)
Operations and maintenance . . . . .	1,254,196	2,831	-	-	(1,251,365)
Pupil transportation . . . . .	482,337	-	15,312	7,367	(459,658)
Central . . . . .	249,331	-	16,700	-	(232,631)
Operation of non-instructional services:					
Food service operations. . . . .	458,351	307,439	171,013	-	20,101
Extracurricular activities . . . . .	470,335	144,131	-	-	(326,204)
Interest and fiscal charges . . . . .	683,913	-	-	-	(683,913)
Total governmental activities . . . . .	<u>\$ 11,970,795</u>	<u>\$ 1,132,619</u>	<u>\$ 912,478</u>	<u>\$ 14,583</u>	<u>(9,911,115)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					4,264,791
Special revenue . . . . .					63,142
Debt service. . . . .					1,014,657
School district income tax . . . . .					828,329
Grants and entitlements not restricted					
to specific programs. . . . .					4,975,019
Payment in lieu of taxes . . . . .					380,250
Investment earnings . . . . .					568,751
Miscellaneous . . . . .					4,874
Total general revenues . . . . .					<u>12,099,813</u>
Change in net assets . . . . .					2,188,698
<b>Net assets at beginning of year . . . . .</b>					<u>21,464,852</u>
<b>Net assets at end of year. . . . .</b>					<u>\$ 23,653,550</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Debt Service	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 6,791,017	\$ 754,115	\$ 1,168,324	\$ 872,955	\$ 9,586,411
Cash with escrow agent . . . . .	-	-	-	161,749	161,749
Receivables:					
Taxes . . . . .	4,467,661	1,053,600	-	62,450	5,583,711
Accounts . . . . .	2,834	-	-	935	3,769
Intergovernmental . . . . .	-	-	-	54,611	54,611
Accrued interest . . . . .	28,873	-	-	7	28,880
Interfund receivable . . . . .	3,400	-	-	-	3,400
Prepayments . . . . .	44,793	-	-	-	44,793
Materials and supplies inventory . . . . .	18,488	-	-	8,282	26,770
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	1,376	-	-	-	1,376
<b>Total assets . . . . .</b>	<b>\$ 11,358,442</b>	<b>\$ 1,807,715</b>	<b>\$ 1,168,324</b>	<b>\$ 1,160,989</b>	<b>\$ 15,495,470</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 44,305	\$ -	\$ -	\$ 8,636	\$ 52,941
Contracts payable . . . . .	-	-	275,333	43,986	319,319
Retainage payable . . . . .	-	-	-	161,749	161,749
Accrued wages and benefits . . . . .	784,451	-	-	26,916	811,367
Compensated absences payable . . . . .	10,290	-	-	3,426	13,716
Pension obligation payable. . . . .	226,439	-	-	24,330	250,769
Intergovernmental payable. . . . .	15,730	-	-	566	16,296
Interfund loans payable. . . . .	-	-	-	3,400	3,400
Deferred revenue. . . . .	143,192	6,100	-	24,775	174,067
Unearned revenue . . . . .	3,006,189	818,473	-	48,078	3,872,740
<b>Total liabilities . . . . .</b>	<b>4,230,596</b>	<b>824,573</b>	<b>275,333</b>	<b>345,862</b>	<b>5,676,364</b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	182,700	-	511,650	417,820	1,112,170
Reserved for materials and supplies inventory. . . . .	18,488	-	-	8,282	26,770
Reserved for prepayments . . . . .	44,793	-	-	-	44,793
Reserved for property tax unavailable for appropriation . . . . .	933,811	229,027	-	14,072	1,176,910
Reserved for debt service . . . . .	-	754,115	-	-	754,115
Reserved for school bus purchases . . . . .	1,376	-	-	-	1,376
Unreserved, undesignated (deficit), reported in:					
General fund . . . . .	5,946,678	-	-	-	5,946,678
Special revenue funds. . . . .	-	-	-	344,566	344,566
Capital projects funds. . . . .	-	-	381,341	30,387	411,728
<b>Total fund balances . . . . .</b>	<b>7,127,846</b>	<b>983,142</b>	<b>892,991</b>	<b>815,127</b>	<b>9,819,106</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 11,358,442</b>	<b>\$ 1,807,715</b>	<b>\$ 1,168,324</b>	<b>\$ 1,160,989</b>	<b>\$ 15,495,470</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2007

<b>Total governmental fund balances</b>		\$	9,819,106
<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.			30,827,427
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	132,300	
Intergovernmental revenue		24,475	
Accrued interest		17,292	
Total		174,067	174,067
Unamortized bond issuance costs are not recognized in the funds			169,752
Unamortized premiums on bond issuance is not recognized in the funds.			(169,752)
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(92,012)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(906,255)	
Energy conservation bonds payable		(153,000)	
Bond anticipation notes		(2,000,000)	
General obligation bonds payable		(13,970,000)	
Capital lease obligation payable		(53,827)	
Total		(17,083,082)	(17,083,082)
An internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			8,044
<b>Net assets of governmental activities</b>		\$	23,653,550

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 5,118,720	\$ 1,046,457	\$ -	\$ 65,142	\$ 6,230,319
Tuition. . . . .	557,152	-	-	-	557,152
Charges for services. . . . .	-	-	-	307,439	307,439
Earnings on investments. . . . .	356,422	-	156,759	71,106	584,287
Extracurricular. . . . .	-	-	-	158,167	158,167
Classroom materials and fees . . . . .	-	-	-	55,972	55,972
Other local revenues. . . . .	387,955	-	-	62,158	450,113
Intergovernmental - Intermediate . . . . .	-	-	-	1,914	1,914
Intergovernmental - State. . . . .	4,453,190	98,141	671,617	66,573	5,289,521
Intergovernmental - Federal . . . . .	-	-	-	577,591	577,591
Total revenue . . . . .	<u>10,873,439</u>	<u>1,144,598</u>	<u>828,376</u>	<u>1,366,062</u>	<u>14,212,475</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	4,145,445	-	38,476	160,070	4,343,991
Special. . . . .	944,590	-	-	364,394	1,308,984
Support services:					
Pupil. . . . .	411,437	-	-	3,259	414,696
Instructional staff . . . . .	407,752	-	-	12,743	420,495
Board of education . . . . .	135,384	-	-	-	135,384
Administration. . . . .	664,289	-	-	-	664,289
Fiscal . . . . .	360,542	21,776	-	1,626	383,944
Business . . . . .	61,981	-	-	-	61,981
Operations and maintenance. . . . .	1,140,342	-	58,922	43,959	1,243,223
Pupil transportation . . . . .	490,869	-	-	-	490,869
Central. . . . .	230,932	-	-	16,610	247,542
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	536,466	536,466
Extracurricular activities. . . . .	338,475	-	-	126,342	464,817
Facilities acquisition and construction . . . . .	30,097	-	6,419,672	1,621,757	8,071,526
Debt service:					
Principal retirement . . . . .	20,993	2,581,000	-	-	2,601,993
Interest and fiscal charges . . . . .	5,227	691,140	-	-	696,367
Total expenditures . . . . .	<u>9,388,355</u>	<u>3,293,916</u>	<u>6,517,070</u>	<u>2,887,226</u>	<u>22,086,567</u>
Excess of revenues over (under) expenditures. . . . .	<u>1,485,084</u>	<u>(2,149,318)</u>	<u>(5,688,694)</u>	<u>(1,521,164)</u>	<u>(7,874,092)</u>
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	58,000	-	25,000	83,000
Transfers (out). . . . .	(223,000)	-	-	-	(223,000)
Sale of capital assets . . . . .	2,773	-	-	-	2,773
Issuance of notes . . . . .	-	2,000,000	-	-	2,000,000
Total other financing sources (uses) . . . . .	<u>(220,227)</u>	<u>2,058,000</u>	<u>-</u>	<u>25,000</u>	<u>1,862,773</u>
Net change in fund balances . . . . .	1,264,857	(91,318)	(5,688,694)	(1,496,164)	(6,011,319)
<b>Fund balances at beginning of year . . . . .</b>	<u>5,862,989</u>	<u>1,074,460</u>	<u>6,581,685</u>	<u>2,311,291</u>	<u>15,830,425</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 7,127,846</u>	<u>\$ 983,142</u>	<u>\$ 892,991</u>	<u>\$ 815,127</u>	<u>\$ 9,819,106</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

**Net change in fund balances - total governmental funds** \$ (6,011,319)

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

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

Capital asset additions	\$ 8,410,829	
Current year depreciation	(467,326)	
Total		7,943,503

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (160,289)

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

Delinquent property taxes	(59,400)	
Intergovernmental	21,954	
Accrued interest	(15,536)	
Total		(52,982)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement net assets. 2,601,993

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported on the statement of activities:

Decrease in accrued interest payable	12,454	
Amortization of bond premium	6,928	
Amortization of bond issue costs	(6,928)	
Total		12,454

The issuance of bond anticipation notes is recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (2,000,000)

Some expenses such as compensated absences are reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (101,835)

The internal service fund for self- insurance is not reported in the expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities. (42,827)

**Change in net assets of governmental activities** \$ 2,188,698

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,651,690	\$ 5,289,100	\$ 5,292,036	\$ 2,936
Tuition. . . . .	496,470	564,500	563,370	(1,130)
Earnings on investments. . . . .	311,048	353,670	359,923	6,253
Other local revenues. . . . .	341,592	388,400	388,107	(293)
Intergovernmental - State. . . . .	3,917,320	4,454,100	4,453,190	(910)
Total revenues . . . . .	<u>9,718,120</u>	<u>11,049,770</u>	<u>11,056,626</u>	<u>6,856</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,400,374	4,400,374	4,273,058	127,316
Special. . . . .	960,665	960,665	947,747	12,918
Other. . . . .	2,000	2,000	-	2,000
Support services:				
Pupil. . . . .	498,300	498,300	406,829	91,471
Instructional staff . . . . .	431,825	431,825	452,143	(20,318)
Board of education . . . . .	73,831	73,831	151,651	(77,820)
Administration. . . . .	691,588	691,588	671,742	19,846
Fiscal . . . . .	377,993	377,993	372,310	5,683
Business . . . . .	45,911	45,911	69,213	(23,302)
Operations and maintenance. . . . .	1,179,013	1,179,013	1,264,150	(85,137)
Pupil transportation . . . . .	457,341	457,341	506,416	(49,075)
Central. . . . .	228,959	228,959	240,371	(11,412)
Extracurricular activities. . . . .	376,204	376,204	344,706	31,498
Facilities acquisition and construction. . . . .	22,672	22,672	30,096	(7,424)
Total expenditures . . . . .	<u>9,746,676</u>	<u>9,746,676</u>	<u>9,730,432</u>	<u>16,244</u>
Excess of revenues over (under) expenditures. . . . .	<u>(28,556)</u>	<u>1,303,094</u>	<u>1,326,194</u>	<u>23,100</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	3,000	3,000	2,773	(227)
Transfers in. . . . .	113,700	113,700	113,641	(59)
Transfers (out) . . . . .	(311,000)	(311,500)	(336,641)	(25,141)
Advances (out) . . . . .	-	-	(3,400)	(3,400)
Refund of prior year expenditure. . . . .	16,800	16,800	16,719	(81)
Total other financing sources (uses) . . . . .	<u>(177,500)</u>	<u>(178,000)</u>	<u>(206,908)</u>	<u>(28,908)</u>
Net change in fund balance. . . . .	(206,056)	1,125,094	1,119,286	(5,808)
<b>Fund balance at beginning of year . . . . .</b>	<b>5,245,735</b>	<b>5,245,735</b>	<b>5,245,735</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>180,946</b>	<b>180,946</b>	<b>180,946</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 5,220,625</u></b>	<b><u>\$ 6,551,775</u></b>	<b><u>\$ 6,545,967</u></b>	<b><u>\$ (5,808)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Assets:</b>	
Current:	
Equity in pooled cash and cash equivalents . . . . .	\$ 79,729
Receivables:	
Accounts . . . . .	<u>1,013</u>
Total assets . . . . .	<u>80,742</u>
<b>Liabilities:</b>	
Current:	
Accounts payable . . . . .	4,343
Claims payable . . . . .	<u>68,355</u>
Total liabilities . . . . .	<u>72,698</u>
<b>Net assets:</b>	
Unrestricted. . . . .	<u>8,044</u>
Total net assets . . . . .	<u><u>\$ 8,044</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 564,754
Total operating revenues . . . . .	<u>564,754</u>
<b>Operating expenses:</b>	
Purchased services . . . . .	218,118
Claims expense . . . . .	<u>529,463</u>
Total operating expenses . . . . .	<u>747,581</u>
Operating loss before transfers . . . . .	(182,827)
Transfer in . . . . .	<u>140,000</u>
Change in net assets . . . . .	(42,827)
<b>Net assets at beginning of year . . . . .</b>	<u>50,871</u>
<b>Net assets at end of year . . . . .</b>	<u><u>\$ 8,044</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash receipts from charges for services . . . . .	\$ 564,754
Cash payments for purchased services . . . . .	(214,788)
Cash payments for claims . . . . .	<u>(509,996)</u>
Net cash used in operating activities . . . . .	<u>(160,030)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from transfers in . . . . .	<u>140,000</u>
Net cash provided by noncapital financing activities. . . . .	<u>140,000</u>
Net decrease in cash and cash equivalents. . . . .	(20,030)
<b>Cash and cash equivalents at beginning of year . . .</b>	<u>99,759</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 79,729</u></u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (182,827)
Changes in assets and liabilities:	
(Increase) in accounts receivable . . . . .	(1,013)
Increase in accounts payable. . . . .	4,343
Increase in claims payable. . . . .	<u>19,467</u>
Net cash used in operating activities . . . . .	<u><u>\$ (160,030)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2007

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 326,983	\$ 49,943
Total assets. . . . .	326,983	\$ 49,943
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 49,943
Total liabilities . . . . .	-	\$ 49,943
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	326,983	
Total net assets . . . . .	\$ 326,983	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 18,294
Gifts and contributions . . . . .	3,475
Total additions. . . . .	21,769
<b>Deductions:</b>	
Scholarships awarded . . . . .	9,018
Change in net assets . . . . .	12,751
<b>Net assets at beginning of year. . . . .</b>	<b>314,232</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 326,983</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is the 418<sup>th</sup> largest in the State of Ohio among 876 public school districts and community schools in terms of enrollment. It is staffed by 56 non-certificated employees and 82 certificated full-time teaching personnel who provide services to 1,256 students and other community members. The District currently operates 2 instructional buildings and 1 administrative building.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, community services and student related activities of the District.

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Education Council (MEC)

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

Tolles Career & Technical Center

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Classroom Facilities Fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) food service operations, and (c) for grants and other resources whose use is restricted to a particular purpose.

**PROPRIETARY FUNDS**

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

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

**FIDUCIARY FUNDS**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. 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 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 fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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 received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Madison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The permanent appropriation measure was approved July, 2006, and there was one amendment made to the appropriations during fiscal year 2007. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

**F. Cash and Investments**

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

During fiscal year 2007, investments were limited to repurchase agreements, federal agency securities and Star Ohio. 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 or by policy of the Board of Education. Investment earnings are assigned to the general fund, classroom facilities, other nonmajor governmental funds, and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$356,422, which includes \$96,504 assigned from other funds.

The District has cash held for construction retainage at June 30, 2007. This is reported as "cash with escrow agent" on the statement of net assets.

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

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

**G. Inventory**

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

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

**H. Capital Assets**

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$3,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 years

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, 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 year. Bonds and notes are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, debt service, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted for school bus purchases and budget stabilization.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. This reserve is required by state statute. A schedule of the statutory reserve is presented in Note 17.

**Q. 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 and after nonoperating revenues/expenses in proprietary fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Unamortized Bond Issuance Costs and Bond Premiums**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**S. 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. The District had no extraordinary or special items during fiscal year 2007.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 20,959
EMIS	4
Entry Year Grant	2
Professional Development	17
Title II-A	28

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash with Escrow Agent**

At fiscal year-end, \$161,749 was on deposit in the District's escrow account and included in the total amount of deposits reported below. This amount is part of the internal cash pool, but reported on the financial statements as "Cash with Escrow Agent".

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$4,483,053, exclusive of the \$3,255,359 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$4,473,386 of the District's bank balance of \$4,573,386 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 3,255,359	\$ 3,255,359
FHLB	493,494	493,494
FHLMC Discount Note	987,061	987,061
FNMA Discount Note	<u>987,224</u>	<u>987,224</u>
Total	<u>\$ 5,723,138</u>	<u>\$ 5,723,138</u>

The weighted average maturity of investments is .13 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities 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 District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 3,255,359	56.88
FHLB	493,494	8.62
FHLMC Discount Note	987,061	17.25
FNMA Discount Note	<u>987,224</u>	<u>17.25</u>
Total	<u>\$ 5,723,138</u>	<u>100.00</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 4,483,053
Investments	<u>5,723,138</u>
Total	<u>\$ 10,206,191</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 9,829,265
Fiduciary funds	<u>376,926</u>
Total	<u>\$ 10,206,191</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 25,000
Transfers to Employee Benefits Self-Insurance fund from:	
General fund	140,000
Transfers to Debt Service fund from:	
General fund	<u>58,000</u>
Total transfers	<u>\$223,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**B.** Interfund balances consisted of the following at June 30, 2007, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ <u>3,400</u>

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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 District prior to June 30.

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

The District receives property taxes from Madison County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$933,811 in the general fund, \$229,027 in the debt service fund, and \$14,072 in the other nonmajor governmental funds. This amount has been recorded as revenue. The amount available to be advanced can vary based on the date 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, 2007 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 unearned revenue.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 136,643,370	84.66	\$ 142,064,700	88.77
Tangible and public utility personal property	<u>24,753,420</u>	<u>15.34</u>	<u>17,971,830</u>	<u>11.23</u>
Total	<u>\$ 161,396,790</u>	<u>100.00</u>	<u>\$ 160,036,530</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 37.62		\$ 38.80	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District currently benefits from a 1/2% income tax, which is assessed on all residents of the District. In 2007, the District income tax generated \$828,329 in revenue. The District apportions all the proceeds to the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 5,583,711
Accounts	4,782
Intergovernmental	54,611
Accrued interest	<u>28,880</u>
Total	<u>\$ 5,671,984</u>

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



**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/07</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 254,158	\$ -	\$ -	\$ 254,158
Construction in progress	<u>21,293,203</u>	<u>8,197,946</u>	<u>(29,491,149)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>21,547,361</u>	<u>8,197,946</u>	<u>(29,491,149)</u>	<u>254,158</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	429,784	70,400	(10,704)	489,480
Buildings and improvements	3,680,524	29,268,671	(1,128,445)	31,820,750
Furniture and equipment	851,993	259,616	(611,032)	500,577
Vehicles	<u>729,403</u>	<u>105,345</u>	<u>(58,409)</u>	<u>776,339</u>
Total capital assets, being depreciated	<u>5,691,704</u>	<u>29,704,032</u>	<u>(1,808,590)</u>	<u>33,587,146</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(148,582)	(26,280)	2,978	(171,884)
Buildings and improvements	(2,882,906)	(358,752)	1,072,911	(2,168,747)
Furniture and equipment	(620,757)	(43,027)	514,003	(149,781)
Vehicles	<u>(542,607)</u>	<u>(39,267)</u>	<u>58,409</u>	<u>(523,465)</u>
Total accumulated depreciation	<u>(4,194,852)</u>	<u>(467,326)</u>	<u>1,648,301</u>	<u>(3,013,877)</u>
Governmental activities capital assets, net	<u>\$ 23,044,213</u>	<u>\$ 37,434,652</u>	<u>\$ (29,651,438)</u>	<u>\$ 30,827,427</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 79,555
<u>Support Services:</u>	
Pupil	91,697
Administration	125,584
Fiscal	1,881
Operations & Maintenance	25,567
Pupil Transportation	62,045
Central	1,330
Extracurricular	11,058
Food Service Operation	<u>68,609</u>
Total depreciation expense	<u>\$ 467,326</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital lease payments are recorded as regular instruction and fiscal support expenditures in the budgetary statements. At June 30, 2007, the capital assets acquired by the capital lease obligations outstanding at fiscal year-end have been capitalized in the amount of \$107,737, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was \$53,868, leaving a current book value of \$53,869.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$20,993 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 26,220
2009	26,220
2010	<u>6,554</u>
Total minimum lease payments	58,994
Less amount representing interest	<u>(5,167)</u>
Total	<u>\$ 53,827</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
<b>Governmental Activities:</b>						
Energy conservation bonds	5.30%	\$ 204,000	\$ -	\$ (51,000)	\$ 153,000	\$ 51,000
General obligation bonds	1.75-5.0%	14,200,000	-	(230,000)	13,970,000	285,000
Bond anticipation notes	4.0%	2,300,000	-	(2,300,000)	-	-
Bond anticipation notes	4.18%	-	2,000,000	-	2,000,000	2,000,000
Capital lease obligation		74,820	-	(20,993)	53,827	22,736
Compensated absences	N/A	832,102	156,704	(68,835)	919,971	60,405
Total long-term obligations, governmental activities		<u>\$ 17,610,922</u>	<u>\$ 2,156,704</u>	<u>\$ (2,670,828)</u>	17,096,798	<u>\$ 2,419,141</u>
Unamortized premium					<u>169,752</u>	
Total long-term obligations					<u>\$ 17,266,550</u>	

*Energy Conservation Bonds* - On September 25, 2003, the District issued bonds in the amount of \$357,000. The bonds were issued for the purpose of upgrading buildings owned by the District to reduce energy consumption. The bonds were issued at 5.30% for 7 years with semi-annual payments due in June and December. The bonds are being retired from the debt service fund.

*General Obligation Bonds* - On March 1, 2004, the District issued \$14,600,000 in general obligation bonds to provide funds for constructing additions to and renovating and improving existing school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current \$16.9 million bonded debt tax levy.

These bonds represent the amount of the construction project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). As of June 30, 2007, the total cost of the construction project was \$29,731,907 (including the locally funded initiative) of which OSFC paid \$12,415,242.

Interest payments on the general obligation bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2031.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

*Bond Anticipation Notes* - On November 28, 2006, the District reissued \$2,000,000 in general obligation notes to provide funds for the school facilities project which mature on November 27, 2007. These notes are general obligations of the District for which the full faith and credit of the District pledged for repayment. These unmaturing obligations of the District are accounted for in the statement of net assets. Principal and interest are recorded in the debt service fund. The source of repayment is the current 16.9 mill levy.

*Compensated absences* - Compensated absences will be paid from the fund which the employees are paid, which is primarily the general fund.

- B.** The following is a summary of the District's future annual debt service requirements to maturity for bonds:

Year Ending June 30	Principal on Construction Bonds	Interest on Construction Bonds	Total	Principal on Energy Conser- vation Bonds	Interest on Energy Conser- vation Bonds	Total
2008	\$ 285,000	\$ 584,650	\$ 869,650	\$ 51,000	\$ 6,915	\$ 57,915
2009	315,000	578,453	893,453	51,000	4,145	55,145
2010	365,000	570,544	935,544	51,000	1,389	52,389
2011	375,000	560,356	935,356	-	-	-
2012	390,000	546,931	936,931	-	-	-
2013-2017	2,160,000	2,506,062	4,666,062	-	-	-
2018-2022	2,630,000	2,026,594	4,656,594	-	-	-
2023-2027	3,315,000	1,314,626	4,629,626	-	-	-
2028-2032	4,135,000	466,265	4,601,265	-	-	-
Total	<u>\$ 13,970,000</u>	<u>\$ 9,154,481</u>	<u>\$ 23,124,481</u>	<u>\$ 153,000</u>	<u>\$ 12,449</u>	<u>\$ 165,449</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$85,425 (including available funds of \$983,142) and an unvoted debt margin of \$145,248.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - 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. During fiscal year 2007, the District contracted with Great American Insurance Company for property and fleet insurance and Ohio School Plan for liability insurance. Coverages provided are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$23,904,950
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	\$1,000,000
Annual aggregate limit	3,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Deductible	0
Stop Gap	
Each accident	2,500,000
Disease each employee	2,500,000
Disease policy limit	2,500,000
Automotive Liability	
Liability	
Per occurrence combined single limit	\$1,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	250
Collision deductible	500

Settled claims have not exceeded this commercial coverage in any of the past three years. Also, the District has not materially reduced its coverage from the past year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

**B. Medical/Surgical and Dental Insurance**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the District's behalf. The claims liability of \$68,355 reported in the internal service fund at June 30, 2007, is based on an estimate provided by Klais & Company, Inc. (the third party administrator) and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2007	\$ 48,888	\$ 529,463	\$ (509,996)	\$ 68,355
2006	50,268	611,321	(612,701)	48,888

**C. Workers' Compensation Group Rating Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan 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 Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 13 - PENSION PLANS - (Continued)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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 District's required contribution for pension obligations to SERS for fiscal years 2007, 2006, and 2005 were \$166,355, \$165,930, and \$139,609, 48.06 percent has been contributed for fiscal year 2007 and 100 percent for 2006 and 2005. \$86,401 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**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 provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 13 - PENSION PLANS - (Continued)**

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$620,349, \$588,545, and \$579,429, 84.13 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$98,425 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$15,590 made by the District and \$19,690 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$47,719 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$81,437 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Investments are reported as fair value (GAAP basis) rather than cost (budget basis).

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

<b>Net Change in Fund Balance</b>	<u>General Fund</u>
Budget basis	\$ 1,119,286
Net adjustment for revenue accruals	(183,187)
Net adjustment for expenditure accruals	125,609
Net adjustment for other sources/uses	(13,319)
Adjustment for encumbrances	<u>216,468</u>
GAAP basis	<u>\$ 1,264,857</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$5,149 per year. A portion of the refund may be recovered from additional State entitlement payments.

The District is involved in no other material litigation as either plaintiff or defendant.

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	Restated Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside cash balance as of June 30, 2006	\$ (258,998)	\$ (16,445,835)	\$ 75,000
Current year set-aside requirement	181,950	181,950	-
Current year offsets	-	(70,069)	-
Qualifying disbursements	<u>(464,037)</u>	<u>(297,927)</u>	<u>(75,000)</u>
Total	<u>\$ (541,085)</u>	<u>\$ (16,631,881)</u>	<u>\$ -</u>
Cash balance carried forward to FY 2008	<u>\$ (541,085)</u>	<u>\$ (16,445,835)</u>	<u>\$ -</u>

In addition to the above statutory reserves, the District also received \$1,376 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for bus purchases	<u>\$ 1,376</u>
Total restricted assets	<u>\$ 1,376</u>

The District via Board action released the monies representing BWC refunds that were received prior to April 10, 2001.

Capital Acquisition set-aside balance as of June 30, 2006 has been restated to use the proceeds of the issued bonds as an offset to be carried forward against future set-aside requirements.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks and capital acquisition reserve. The extra amounts spent for textbooks may be used to reduce the set-aside requirement for future years, however, the current year offset and excess qualifying disbursements of capital acquisition set-asides may not be carried forward.

## **SUPPLEMENTARY DATA**

**JEFFERSON LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(F) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(F) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
(A) Food Donation	10.550	N/A	\$ -	\$ 19,199	\$ -	\$ 19,199
Total Food Donation			-	19,199	-	19,199
<i>Nutrition Cluster:</i>						
(B)(G) School Breakfast Program	10.553	048256-05PU-2006	461		461	
(B)(G) School Breakfast Program	10.553	048256-05PU-2007	5,111		5,111	
Total School Breakfast Program			5,572		5,572	
(B)(G) National School Lunch Program	10.555	048256-LLP1-2006	284		284	
(B)(G) National School Lunch Program	10.555	048256-LLP1-2007	976		976	
(B)(G) National School Lunch Program	10.555	048256-LLP4-2006	30,196		30,196	
(B)(G) National School Lunch Program	10.555	048256-LLP4-2007	102,444		102,444	
Total National School Lunch Program			133,900		133,900	
Total Nutrition Cluster			139,472		139,472	
Total U.S. Department of Agriculture			139,472	19,199	139,472	19,199
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>						
(C) Title I Grants to Local Educational Agencies	84.010	048256-C1S1-2006	(4)		32	
Title I Grants to Local Educational Agencies	84.010	048256-C1S1-2007	82,967		82,678	
Total Title I Grants to Local Educational Agencies			82,963		82,710	
Special Education Grants to States	84.027	048256-6BSF-2007	283,597		283,597	
(D) Safe and Drug-Free Schools and Communities State Grants	84.186	048256-DRS1-2006	(285)		285	
Safe and Drug-Free Schools and Communities State Grants	84.186	048256-DRS1-2007	1,828		1,548	
Total Safe and Drug-Free Schools and Communities State Grants			1,543		1,833	
State Grants for Innovative Programs	84.298	048256-C2S1-2007	1,777		1,600	
(H) Education Technology State Grants	84.318	048256-TJS1-2006	(153)		153	
Education Technology State Grants	84.318	048256-TJS1-2007	1,257		1,090	
Total Education Technology State Grants			1,104		1,243	
(E) Improving Teacher Quality State Grants	84.367	048256-TRS1-2006	(901)		2,000	
Improving Teacher Quality State Grants	84.367	048256-TRS1-2007	41,490		41,490	
Total Improving Teacher Quality State Grants			40,589		43,490	
Total U.S. Department of Education			411,573		414,473	
Total Federal Financial Assistance			\$ 551,045	\$ 19,199	\$ 553,945	\$ 19,199

- (A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (C) Amount of \$4 transferred to the next grant year based on Ohio Department of Education administrative action.  
 (D) Amount of \$285 transferred to the next grant year based on Ohio Department of Education administrative action.  
 (E) Amount of \$901 transferred to the next grant year based on Ohio Department of Education administrative action.  
 (F) This schedule was prepared on the cash basis of accounting.  
 (G) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (H) Amount of \$153 transferred to the next grant year based on Ohio Department of Education administrative action.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

Board of Education  
Jefferson Local School District  
906 W. Main Street  
West Jefferson, OH 43162-1144

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District as of and for the fiscal year ended June 30, 2007, which collectively comprise Jefferson Local School District's basic financial statements and have issued our report thereon dated October 18, 2007. 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 Jefferson Local School 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 Jefferson Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jefferson Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jefferson Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Jefferson Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Jefferson Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jefferson Local School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Board of Education  
Jefferson Local School District

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Jefferson Local School District in a separate letter dated October 18, 2007.

This report is intended solely for the information and use of the management and Board of Education of the Jefferson Local School 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
October 18, 2007



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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

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

Board of Education  
Jefferson Local School District  
906 W. Main Street  
West Jefferson, OH 43162-1144

Compliance

We have audited the compliance of the Jefferson Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. The Jefferson Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Jefferson Local School District's management. Our responsibility is to express an opinion on the Jefferson Local School 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Jefferson Local School District's compliance with those requirements.

In our opinion, the Jefferson Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

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



Board of Education  
Jefferson Local School District

A control deficiency in Jefferson Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jefferson Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Jefferson Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Jefferson Local School District's internal control.

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 that might be 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.

This report is intended solely for the information and use of management and Board of Education of the Jefferson Local School 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
October 18, 2007

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON LOCAL SCHOOL DISTRICT**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 6, 2007**