

# **Jefferson Area Local School District**

**Basic Financial Statements  
June 30, 2010**



# Jefferson Area Local School District

For the Fiscal Year Ended June 30, 2010

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# Jefferson Area Local School District

For the Fiscal Year Ended June 30, 2010

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## Independent Auditors' Report

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District, as of June 30, 2010, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2010, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, and GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011 on our consideration of the 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.

Board of Education  
Jefferson Area Local School District

The management's discussion and analysis on pages 3 through 10 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.

*Cioni & Paricki, Inc.*

Cleveland, Ohio  
March 31, 2011

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*  
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This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets decreased by \$2,393,322, which represents a decrease of 5.3 percent from fiscal year 2009.
- Revenues for governmental activities totaled \$19,367,577 in fiscal year 2010. Of this total, 85.0 percent consisted of general revenues while program revenues accounted for the balance of 15.0 percent.
- Program expenses totaled \$21,760,899. Instructional expenses made up 55.7 percent of this total while support services accounted for 33.0 percent. Other expenses rounded out the remaining 11.3 percent.
- The District's major governmental funds are the general fund, the bond retirement debt service fund, the building capital projects fund and the classroom facilities capital projects fund. The general fund had \$15,557,869 in revenues and \$15,545,203 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$88,775 from \$3,499,797 to \$3,411,022.
- The District's other major governmental funds are the bond retirement debt service fund, the building capital projects fund and the classroom facilities capital projects fund. The bond retirement fund had \$753,760 in revenues and \$1,452,759 in expenditures. The bond retirement fund balance decreased \$644,902 during fiscal year 2010. The building capital projects fund had \$275,592 in revenues and \$6,192,326 in expenditures. The building capital projects fund balance decreased \$5,916,734 during fiscal year 2010. The classroom facilities fund had \$674,673 in revenues and \$2,862,434 in expenditures. The classroom facilities fund balance decreased \$2,187,761 during fiscal year 2010.

**Using this Annual Financial Report**

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

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

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

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

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

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

### *Fund Financial Statements*

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

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



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

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

**Table 1**  
Net Assets  
Governmental Activities

	2010	2009	Change
<b>Assets</b>			
Current and Other Assets	\$19,507,413	\$29,052,814	(\$9,545,401)
Capital Assets	51,212,266	45,305,654	5,906,612
<i>Total Assets</i>	<u>70,719,679</u>	<u>74,358,468</u>	<u>(3,638,789)</u>
<b>Liabilities</b>			
Current Liabilities	6,636,272	7,078,432	(442,160)
Long-Term Liabilities			
Due within One Year	587,637	894,100	(306,463)
Due in More than One Year	20,897,623	21,394,467	(496,844)
<i>Total Liabilities</i>	<u>28,121,532</u>	<u>29,366,999</u>	<u>(1,245,467)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	31,340,550	24,580,259	6,760,291
Restricted	10,061,900	18,879,683	(8,817,783)
Unrestricted	1,195,697	1,531,527	(335,830)
<i>Total Net Assets</i>	<u>\$42,598,147</u>	<u>\$44,991,469</u>	<u>(\$2,393,322)</u>

Total assets decreased by \$3,638,789. This decrease can be attributed to a decrease in cash and cash equivalents as construction projects continued.

Total liabilities decreased by \$1,245,467. The majority of this decrease was due to decreases in contracts payable and retainage payable related to the District's construction projects.

By comparing assets and liabilities, one can see the overall position of the School District has slightly decreased as evidenced by the decrease in net assets of \$2,393,322.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,465,782 or 85.0 percent of the total revenue. The most significant portion of general revenue for fiscal year 2010 was grants received from the Ohio School Facilities Commission, followed by property taxes. The amount of revenue received in the form of program revenues was \$2,901,795.

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Table 2 shows the changes in net assets for fiscal year 2010.

**Table 2**  
Change in Net Assets  
Governmental Activities

	2010	2009	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,193,547	\$1,033,846	\$159,701
Operating Grants and Contributions	1,508,270	775,763	732,507
Capital Grants and Contributions	199,978	25,511	174,467
<i>Total Program Revenues</i>	<u>2,901,795</u>	<u>1,835,120</u>	<u>1,066,675</u>
<b>General Revenues</b>			
Property Taxes	6,024,875	7,057,312	(1,032,437)
Intergovernmental	9,779,961	9,840,405	(60,444)
Investment Earnings	203,537	455,382	(251,845)
Miscellaneous	457,409	241,466	215,943
<i>Total General Revenues</i>	<u>16,465,782</u>	<u>17,594,565</u>	<u>(1,128,783)</u>
<i>Total Revenues</i>	<u>19,367,577</u>	<u>19,429,685</u>	<u>(62,108)</u>
<b>Program Expenses</b>			
Current:			
Instruction	12,128,621	11,040,307	1,088,314
Support Services:			
Pupils	1,427,800	1,360,896	66,904
Instructional Staff	125,413	137,576	(12,163)
Board of Education	19,307	22,094	(2,787)
Administration	1,125,053	1,104,469	20,584
Fiscal	609,590	623,615	(14,025)
Business	8,305	10,526	(2,221)
Operation and Maintenance of Plant	2,392,685	1,860,326	532,359
Pupil Transportation	1,339,353	1,233,269	106,084
Central	131,764	80,713	51,051
Operation of Non-Instructional Services	335,545	181,238	154,307
Operation of Food Services	738,281	766,381	(28,100)
Extracurricular Activities	451,353	434,756	16,597
Interest and Fiscal Charges	927,829	939,248	(11,419)
<i>Total Program Expenses</i>	<u>21,760,899</u>	<u>19,795,414</u>	<u>1,965,485</u>
<i>Change in Net Assets</i>	<u>(2,393,322)</u>	<u>(365,729)</u>	<u>(2,027,593)</u>
Net Assets Beginning of Year	<u>44,991,469</u>	<u>45,357,198</u>	<u>(365,729)</u>
<i>Net Assets End of Year</i>	<u>\$42,598,147</u>	<u>\$44,991,469</u>	<u>(\$2,393,322)</u>

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**Governmental Activities**

Net assets of the District's governmental activities decreased \$2,393,322. Total governmental expenses of \$21,760,899 were not entirely offset by program revenues of \$2,901,795 and general revenues of \$16,465,782. Program revenues supported 13.3 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 81.6 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$12,128,621 or 55.7 percent of total governmental expenses for fiscal year 2010.

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

**Table 3**  
Total and Net Cost of Program Services  
Governmental Activities

	2010		2009	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,316,956	\$9,176,453	\$9,284,988	\$8,890,926
Special	1,710,766	1,313,195	1,600,818	1,218,469
Vocational	100,899	95,884	154,501	148,408
Support Services:				
Pupils	1,427,800	1,355,523	1,360,896	1,303,441
Instructional Staff	125,413	102,063	137,576	106,692
Board of Education	19,307	18,327	22,094	21,222
Administration	1,125,053	1,062,046	1,104,469	1,057,271
Fiscal	609,590	580,570	623,615	600,485
Business	8,305	7,883	10,526	10,110
Operation and Maintenance of Plant	2,392,685	2,117,010	1,860,326	1,796,684
Pupil Transportation	1,339,353	1,279,983	1,233,269	1,164,990
Central	131,764	124,165	80,713	60,827
Operation of Non-Instructional Services	335,545	287,072	181,238	161,940
Food Service Operation	738,281	40,953	766,381	114,365
Extracurricular Activities	451,353	370,148	434,756	365,216
Interest and Fiscal Charges	927,829	927,829	939,248	939,248
<i>Total Expenditures</i>	<u>\$21,760,899</u>	<u>\$18,859,104</u>	<u>\$19,795,414</u>	<u>\$17,960,294</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 49 percent of instruction activities are supported through property taxes. The District's taxpayers, as a whole, are by far the primary support for the District's students.

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**The School District's Funds**

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$19,752,234 to offset expenditures, excluding other financing uses, of \$28,525,755. The net change in fund balance for the year was most significant in the building capital projects fund, which decreased \$5,916,734. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 60 percent and 31 percent respectively, of total governmental revenue. Clearly, the community is a great source of financial support for the students of the Jefferson Area Local School District.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$14,299,796 and \$15,407,301, respectively. Actual revenues for fiscal year 2010 were 15,519,077, which was \$111,776 more than final budgeted revenues.

General fund original appropriations were \$4,014,337 and final appropriations were \$17,000,366. The actual budget basis expenditures for fiscal year 2010 totaled \$16,353,028, which was \$647,338 lower than final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$51,212,266 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2010 balances compared to fiscal year 2009:

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

	2010	2009
Land	\$712,381	\$712,381
Construction in Progress	2,568,540	19,432,630
Land Improvements	4,311	21,667,525
Buildings and Improvements	45,566,949	1,238,277
Furniture and Equipment	1,206,805	1,040,376
Vehicles	1,153,280	1,214,465
<i>Total</i>	<u>\$51,212,266</u>	<u>\$45,305,654</u>

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All capital assets, except land and construction in progress, are reported net of depreciation. The overall increase in capital assets of \$5,906,612 is due to District's construction in progress and completion on its two new school buildings. Depreciation expense of \$1,727,048 and net asset deletions of \$820,906 only partially offset capital outlays of \$8,454,566 during the fiscal year, resulting in the overall increase in capital assets. The District transferred items between land improvements and building improvements relating to Jefferson and Rock Creek Elementary Schools and its corresponding accumulated depreciation to more accurately reflect the proper classifications. For more information about the School District's capital assets, see Note 8 to the basic financial statements.

**Debt**

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

**Table 5**  
Outstanding Debt at Year End

	<u>2010</u>	<u>2009</u>
Ohio School Facilities Bonds	\$19,026,737	\$19,561,507
Capital Appreciation Bonds	689,979	689,979
Accretion on Capital Appreciation Bonds	278,534	213,839
1998 Energy Conservation Note	155,000	200,000
Bus Purchase Loan	<u>0</u>	<u>273,909</u>
<i>Total</i>	<u>\$20,150,250</u>	<u>\$20,939,234</u>

Of the total outstanding debt, \$560,000 is due within one year and the rest is due within more than one year. For more information about the School District's debt, see Note 14 to the basic financial statements.

**Current Financial Issues**

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

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

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

### **Contacting the School District's Financial Management**

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

## **Basic Financial Statements**

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Statement of Net Assets*

*June 30, 2010*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,526,774
Accrued Interest Receivable	755
Accounts Receivable	54,046
Intergovernmental Receivable	255,646
Property Taxes Receivable	7,411,564
Inventory Held for Resale	5,652
Materials and Supplies Inventory	9,407
Prepaid Items	45,738
Unamortized Bond Issuance Costs	190,411
Due from Other Funds	7,420
Nondepreciable Capital Assets	3,280,921
Depreciable Capital Assets, Net	47,931,345
<i>Total Assets</i>	<u>70,719,679</u>
<b>Liabilities</b>	
Accounts Payable	17,587
Accrued Wages and Benefits Payable	1,816,736
Contracts Payable	228,021
Retainage Payable	531,762
Intergovernmental Payable	480,103
Matured Compensated Absences Payable	88,071
Accrued Interest Payable	72,917
Deferred Revenue	3,388,236
Unearned Revenue	12,839
Long-Term Liabilities:	
Due Within One Year	587,637
Due In More Than One Year	20,897,623
<i>Total Liabilities</i>	<u>28,121,532</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	31,340,550
Restricted for:	
Capital Projects	6,071,072
Debt Service	1,651,660
Other Purposes	892,500
Set-asides	1,445,429
Scholarships	1,239
Unrestricted	1,195,697
<i>Total Net Assets</i>	<u>\$42,598,147</u>

See accompanying notes to the basic financial statements



**Jefferson Area Local School District**  
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*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$10,316,956	\$408,399	\$732,104	\$0	(\$9,176,453)
Special	1,710,766	57,712	339,859	0	(1,313,195)
Vocational	100,899	5,015	0	0	(95,884)
Support Services:					
Pupils	1,427,800	68,507	3,770	0	(1,355,523)
Instructional Staff	125,413	19,440	3,910	0	(102,063)
Board of Education	19,307	980	0	0	(18,327)
Administration	1,125,053	52,262	10,745	0	(1,062,046)
Fiscal	609,590	29,020	0	0	(580,570)
Business	8,305	422	0	0	(7,883)
Operation and Maintenance of Plant	2,392,685	75,697	0	199,978	(2,117,010)
Pupil Transportation	1,339,353	59,370	0	0	(1,279,983)
Central	131,764	6,674	925	0	(124,165)
Operation of Non-Instructional Services	335,545	48,473	0	0	(287,072)
Operation of Food Services	738,281	284,371	412,957	0	(40,953)
Extracurricular Activities	451,353	77,205	4,000	0	(370,148)
Interest and Fiscal Charges	927,829	0	0	0	(927,829)
<i>Total Governmental Activities</i>	<u>\$21,760,899</u>	<u>\$1,193,547</u>	<u>\$1,508,270</u>	<u>\$199,978</u>	<u>(18,859,104)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	5,141,975
Debt Service	449,007
Capital Outlay	276,642
Other Purposes	157,251
Grants and Entitlements not Restricted to Specific Programs	9,779,961
Investment Earnings	203,537
Miscellaneous	457,409

*Total General Revenues* 16,465,782

Change in Net Assets (2,393,322)

*Net Assets Beginning of Year* 44,991,469

*Net Assets End of Year* \$42,598,147

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	General	Bond Retirement	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,771,211	\$851,234	\$2,442,047	\$3,537,377	\$1,479,476	\$10,081,345
Accrued Interest Receivable	0	0	755	0	0	755
Accounts Receivable	0	0	54,046	0	0	54,046
Interfund Receivable	82,913	0	0	0	0	82,913
Intergovernmental Receivable	0	0	0	127,231	128,415	255,646
Property Taxes Receivable	5,475,364	1,475,973	0	0	460,227	7,411,564
Inventory Held for Resale	0	0	0	0	5,652	5,652
Materials and Supplies Inventory	0	0	0	0	9,407	9,407
Prepaid Items	45,738	0	0	0	0	45,738
Due from Other Funds	0	0	0	0	7,420	7,420
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	1,445,429	0	0	0	0	1,445,429
<b>Total Assets</b>	<b>\$8,820,655</b>	<b>\$2,327,207</b>	<b>\$2,496,848</b>	<b>\$3,664,608</b>	<b>\$2,090,597</b>	<b>\$19,399,915</b>
<b>Liabilities</b>						
Accounts Payable	\$16,569	\$0	\$0	\$0	\$1,018	\$17,587
Accrued Wages and Benefits Payable	1,612,377	0	0	0	204,359	1,816,736
Contracts Payable	0	0	24,852	203,169	0	228,021
Retainage Payable	0	0	82,897	448,865	0	531,762
Intergovernmental Payable	433,065	0	0	0	47,038	480,103
Matured Compensated Absences Payable	88,071	0	0	0	0	88,071
Interfund Payable	0	0	0	0	82,913	82,913
Deferred Revenue	3,259,551	888,050	0	127,231	311,778	4,586,610
Unearned Revenue	0	0	0	0	12,839	12,839
<b>Total Liabilities</b>	<b>5,409,633</b>	<b>888,050</b>	<b>107,749</b>	<b>779,265</b>	<b>659,945</b>	<b>7,844,642</b>
<b>Fund Balances</b>						
Reserved for Encumbrances	609,382	0	8,221,175	3,641,149	28,986	12,500,692
Reserved for Textbooks	1,445,429	0	0	0	0	1,445,429
Reserved for Budget Stabilization	1,922	0	0	0	0	1,922
Reserved for Property Taxes	2,215,813	587,923	0	0	187,304	2,991,040
Unreserved:						
Designated for:						
Scholarships	0	0	0	0	1,043	1,043
Undesignated, Reported in:						
General Fund (Deficit)	(861,524)	0	0	0	0	(861,524)
Special Revenue Funds	0	0	0	0	821,076	821,076
Debt Service Funds	0	851,234	0	0	0	851,234
Capital Projects Funds (Deficit)	0	0	(5,832,076)	(755,806)	392,047	(6,195,835)
Permanent Fund	0	0	0	0	196	196
<b>Total Fund Balances</b>	<b>3,411,022</b>	<b>1,439,157</b>	<b>2,389,099</b>	<b>2,885,343</b>	<b>1,430,652</b>	<b>11,555,273</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$8,820,655</b>	<b>\$2,327,207</b>	<b>\$2,496,848</b>	<b>\$3,664,608</b>	<b>\$2,090,597</b>	<b>\$19,399,915</b>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2010*

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<b>Total Governmental Fund Balances</b>	<b>\$11,555,273</b>
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	51,212,266
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,041,946
School Facilities Monies	<u>156,428</u>
Total	1,198,374
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	190,411
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(72,917)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(18,175,000)
Premium on Bonds Issued	(851,737)
Capital Appreciation Bonds	(689,979)
Accretion on Capital Appreciation Bonds	(278,534)
Long-Term Notes	(155,000)
Compensated Absences	<u>(1,335,010)</u>
Total	<u>(21,485,260)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u><b>\$42,598,147</b></u></u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	General	Bond Retirement	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$5,070,450	\$556,597	\$0	\$0	\$425,143	\$6,052,190
Tuition and Fees	768,481	0	0	0	23,530	792,011
Interest	8,650	1,317	188,237	4,033	1,300	203,537
Charges for Services	0	0	0	0	284,371	284,371
Extracurricular Activities	0	0	0	0	117,165	117,165
Contributions and Donations	9,250	0	17,823	0	4,000	31,073
Intergovernmental	9,429,073	195,846	0	568,694	1,620,865	11,814,478
Miscellaneous	271,965	0	69,532	101,946	13,966	457,409
<i>Total Revenues</i>	<u>15,557,869</u>	<u>753,760</u>	<u>275,592</u>	<u>674,673</u>	<u>2,490,340</u>	<u>19,752,234</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	7,734,216	0	0	0	802,675	8,536,891
Special	1,238,778	0	0	0	381,706	1,620,484
Vocational	100,715	0	0	0	0	100,715
Support Services:						
Pupils	1,416,039	0	0	0	4,305	1,420,344
Instructional Staff	96,064	0	0	0	29,285	125,349
Board of Education	19,307	0	0	0	0	19,307
Administration	1,049,460	0	0	0	15,904	1,065,364
Fiscal	577,733	27,945	0	0	9,130	614,808
Business	8,305	0	0	0	0	8,305
Operation and Maintenance of Plant	1,531,236	0	0	0	99,962	1,631,198
Pupil Transportation	1,183,040	0	0	0	0	1,183,040
Central	131,416	0	0	0	348	131,764
Operation of Non-Instructional Services	65,288	0	0	0	52,910	118,198
Operation of Food Services	0	0	0	0	735,841	735,841
Extracurricular Activities	393,606	0	0	0	53,473	447,079
Capital Outlay	0	0	6,192,326	2,862,434	0	9,054,760
Debt Service:						
Principal Retirement	0	540,000	0	0	273,909	813,909
Interest and Fiscal Charges	0	884,814	0	0	13,585	898,399
<i>Total Expenditures</i>	<u>15,545,203</u>	<u>1,452,759</u>	<u>6,192,326</u>	<u>2,862,434</u>	<u>2,473,033</u>	<u>28,525,755</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>12,666</u>	<u>(698,999)</u>	<u>(5,916,734)</u>	<u>(2,187,761)</u>	<u>17,307</u>	<u>(8,773,521)</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from Sale of Capital Assets	59,442	0	0	0	0	59,442
Transfers In	0	54,097	0	0	106,786	160,883
Transfers Out	(160,883)	0	0	0	0	(160,883)
<i>Total Other Financing Sources (Uses)</i>	<u>(101,441)</u>	<u>54,097</u>	<u>0</u>	<u>0</u>	<u>106,786</u>	<u>59,442</u>
<i>Net Change in Fund Balances</i>	<u>(88,775)</u>	<u>(644,902)</u>	<u>(5,916,734)</u>	<u>(2,187,761)</u>	<u>124,093</u>	<u>(8,714,079)</u>
<i>Fund Balances Beginning of Year</i>	3,499,797	2,084,059	8,305,833	5,073,104	1,306,559	20,269,352
<i>Fund Balances End of Year</i>	<u>\$3,411,022</u>	<u>\$1,439,157</u>	<u>\$2,389,099</u>	<u>\$2,885,343</u>	<u>\$1,430,652</u>	<u>\$11,555,273</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2010*

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**Net Change in Fund Balances - Total Governmental Funds** (\$8,714,079)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	8,454,566	
Current Year Depreciation	(1,727,048)	
<b>Total</b>		<b>6,727,518</b>

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

Assets Disposed	(3,887,204)	
Accumulated Depreciation on Disposals	3,066,298	
<b>Total</b>		<b>(820,906)</b>

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

Property Taxes	(27,315)	
School Facilities Monies	(386,539)	
Intergovernmental Revenue	29,197	
<b>Total</b>		<b>(384,657)</b>

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 813,909

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

Accrued Interest on Bonds	4,386	
Accreted Interest on Capital Appreciation Bonds	(64,695)	
Amortization of Bond Issuance Premium	39,770	
Amortization of Bond Issuance Costs	(8,891)	
<b>Total</b>		<b>(29,430)</b>

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 14,323

*Change in Net Assets of Governmental Activities* (\$2,393,322)

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2010*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$4,633,064	\$4,991,890	\$4,972,090	(\$19,800)
Tuition and Fees	716,082	771,541	768,481	(3,060)
Interest	8,060	8,684	8,650	(34)
Contributions and Donations	8,620	9,287	9,250	(37)
Intergovernmental	8,681,990	9,354,402	9,429,073	74,671
Miscellaneous	251,980	271,497	272,091	594
<i>Total Revenues</i>	<u>14,299,796</u>	<u>15,407,301</u>	<u>15,459,635</u>	<u>52,334</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,947,398	8,460,658	7,762,733	697,925
Special	290,472	1,340,007	1,339,246	761
Vocational	35,374	155,900	100,226	55,674
<b>Support Services:</b>				
Pupils	365,615	1,400,714	1,447,513	(46,799)
Instructional Staff	29,157	121,557	95,224	26,333
Board of Education	6,243	26,420	21,600	4,820
Administration	264,970	1,088,905	1,138,865	(49,960)
Fiscal	160,309	674,096	668,630	5,466
Business	4,425	10,884	13,699	(2,815)
Operation and Maintenance of Plant	447,329	1,849,302	1,824,326	24,976
Pupil Transportation	299,573	1,212,137	1,190,643	21,494
Central	19,429	108,639	143,914	(35,275)
Operation of Non-Instructional Services	16,912	73,021	68,632	4,389
Extracurricular Activities	102,131	372,044	376,894	(4,850)
<i>Total Expenditures</i>	<u>3,989,337</u>	<u>16,894,284</u>	<u>16,192,145</u>	<u>702,139</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>10,310,459</u>	<u>(1,486,983)</u>	<u>(732,510)</u>	<u>754,473</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	59,442	59,442
Advances Out	(17,014)	(28,031)	0	28,031
Transfers Out	(25,000)	(106,082)	(160,883)	(54,801)
<i>Total Other Financing Sources (Uses)</i>	<u>(42,014)</u>	<u>(134,113)</u>	<u>(101,441)</u>	<u>32,672</u>
<i>Net Change in Fund Balance</i>	10,268,445	(1,621,096)	(833,951)	787,145
<i>Fund Balance Beginning of Year</i>	3,185,149	3,185,149	3,185,149	0
<i>Prior Year Encumbrances Appropriated</i>	239,491	239,491	239,491	0
<i>Fund Balance End of Year</i>	<u>\$13,693,085</u>	<u>\$1,803,544</u>	<u>\$2,590,689</u>	<u>\$787,145</u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2010*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$19,409	\$47,500
<b>Liabilities</b>		
Due to Students	0	\$40,080
Due to Other Funds	0	7,420
<i>Total Liabilities</i>	0	\$47,500
<b>Net Assets</b>		
Held in Trust for Scholarships	\$19,409	

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County, Ohio

*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$16
Contributions and Donations	<u>3,000</u>
<i>Total Additions</i>	3,016
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>2,000</u>
<i>Change in Net Assets</i>	1,016
<i>Net Assets Beginning of Year</i>	<u>18,393</u>
<i>Net Assets End of Year</i>	<u><u>\$19,409</u></u>

See accompanying notes to the basic financial statements



**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 1 – Description of the School District and Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

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

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

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

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

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

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

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 2 – Summary of Significant Accounting Policies**

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

**A. Fund Accounting**

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

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

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

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

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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***Fiduciary Fund Types*** Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust, investment trust, private-purpose trust and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust fund which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activity programs for students.

***B. Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

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

***C. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

***D. Budget and Budgetary Accounting***

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

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

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

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

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

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

***E. Cash and Investments***

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year, all investments were limited to mutual funds.

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, the Bond Retirement debt service fund, the Classroom Facilities Maintenance special revenue fund, the Permanent Fund, the Classroom Facilities capital projects fund and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$8,650, none of which was assigned from other District funds.

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**F. Inventories**

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

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

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***J. Interfund Activity***

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

***K. Compensated Absences***

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

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

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

***L. Accrued Liabilities and Long-term Obligations***

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

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

***M. Fund Balance Reserves***

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

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

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$10,061,900, of which none is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

***O. Bond Issuance Costs***

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

***P. Bond Premium***

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

***R. Estimates***

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



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**Note 3 – Budgetary Basis of Accounting**

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions.

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

Net Change in Fund Balance	
GAAP Basis	(\$88,775)
Net Adjustment for Revenue Accruals	(98,234)
Net Adjustment for Expenditure Accruals	(20,991)
Adjustment for Encumbrances	(625,951)
Budget Basis	(\$833,951)

**Note 4 – Accountability and Compliance**

**A. Accountability**

Fund balances at June 30, 2010 included the following individual fund deficits:

Nonmajor Governmental Funds:	Deficit
Food Service	\$13,816
Management Information Systems	1,340
Education Stabilization	4,585
Title I	111,819
Miscellaneous Federal Grants	4,314

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

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**B. Compliance**

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

Fund	Final
<i>Major Funds:</i>	
General Obligation Bond Retirement Fund	\$243,717
Building Fund	13,657,593
Classroom Facilities Fund	5,185,364
<i>Non-Major Funds:</i>	
Permanent Improvement Fund	109,452
Food Service Fund	34,014
Uniform School Supplies Fund	5,092
Public School Support Fund	58,905
Other Grants Fund	4,856
EMIS Fund	21,022
Data Communication Fund	20,052
School Net Professional Development Fund	2,223
Miscellaneous State Grants Fund	2,544
Title I Fund	16,020
Drug Free School Grant Fund	980

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

Fund/Function/Object	Final Appropriations	Expenditures	Excess
<b>General Fund</b>			
Instruction:			
Regular - Other	\$993,446	\$1,046,692	\$53,246
Special - Personal Services	1,007,806	1,038,267	30,461
Vocational - Personal Services	63,343	66,666	3,323
Support Services:			
Pupil - Personal Services	922,098	926,645	4,547
Pupil - Other	478,616	578,595	99,979
Instructional Staff - Personal Services	70,652	75,659	5,007
Administration - Personal Services	944,534	981,581	37,047
Administration - Other	144,371	157,284	12,913
Fiscal - Personal Services	320,918	325,964	5,046
Business - Other	10,884	13,699	2,815
Operation & Maintenance of Plant - Personal Services	932,961	969,008	36,047
Pupil Transportation - Personal Services	822,560	881,661	59,101
Central - Other	108,639	143,914	35,275
Extracurricular Activities - Personal Services	356,520	362,029	5,509
Transfers Out	106,082	160,883	54,801

**Jefferson Area Local School District**  
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Fund/Function/Object	Final Appropriations	Expenditures	Excess
<b>Food Service Special Revenue Fund</b>			
Personal Services	\$447,526	\$478,587	\$31,061
<b>Disadvantaged Pupil Impact Aid Special Revenue Fund</b>			
Instruction:			
Special - Other	0	2,962	2,962
<b>Ohio Reads Special Revenue Fund</b>			
Instruction:			
Regular - Other	0	759	759
<b>Miscellaneous State Grants Special Revenue Fund</b>			
Support Services:			
Pupil - Other	673	3,672	2,999
<b>Fiscal Stabilization Special Revenue Fund</b>			
Instruction:			
Regular - Other	21,384	40,108	18,724
<b>Title II-D Technolgy Special Revenue Fund</b>			
Instruction:			
Special - Personal Services	0	797	797
<b>Title I Special Revenue Fund</b>			
Instruction:			
Special - Personal Services	318,703	374,775	56,072
Support Services:			
Administration - Personal Services	6,014	6,206	192
<b>Title V Special Revenue Fund</b>			
Support Services:			
Instructional Staff - Other	0	1,197	1,197
<b>Improving Teacher Quality Special Revenue Fund</b>			
Instruction:			
Regular - Personal Services	46,945	70,033	23,088
Special - Personal Services	0	260	260
<b>Building Capital Projects Fund</b>			
Capital Outlay - Other	14,888,701	16,335,179	1,446,478
<b>School Net Capital Projects Fund</b>			
Support Services:			
Instructional Staff - Other	0	7,281	7,281
<b>Bond Retirement Debt Service Fund</b>			
Debt Service	1,331,049	1,424,815	93,766

**Note 5 – Cash and Investments**

Monies held by the School District are classified by State statute into three categories. Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawals on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

### **Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end the carrying amount of the District's deposits was \$7,653,188, and \$6,574,195 of the School District's bank balance of \$7,816,573 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments**

As of June 30, 2010, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Maturity
Categorized Investments:		
Government & Agency Mutual Funds	\$3,940,495	Six Months or Less

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

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

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

*Concentration of Credit Risk* The School District places no limit on the account it may invest in any one issuer. The following is the School District's allocation as of June 30, 2010:

Investment	Percentage of Investment
Government & Agency Mutual Funds	100.00%

**Note 6 – Property Tax**

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

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Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 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 School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2010 was \$2,215,813 in the general fund, \$587,923 in the bond retirement debt service fund, \$119,425 in the permanent improvement capital projects fund and \$67,879 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2009 was \$2,117,453 in the general fund, \$1,333,711 in the bond retirement debt service fund, \$113,034 in the permanent improvement capital projects fund and \$64,822 in the classroom facilities maintenance special revenue fund.

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.

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The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$236,750,820	95.8%	\$240,081,140	96.8%
Public Utility Personal	7,700,120	3.1%	7,862,190	3.2%
General Business Personal	2,768,787	1.1%	0	0.0%
	\$247,219,727	100.0%	\$247,943,330	100.0%
Tax Rate per \$1,000 of assessed valuation	\$54.73		\$54.73	

**Note 7 – Receivables**

Receivables at June 30, 2010 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds:	
Ohio Schools Facilities Commission	\$127,231
Non-major Governmental Funds:	
Federal Lunchroom Subsidy	48,324
Title II-D Technology Grant	2,160
Title I Grant	31,578
Drug Free Schools Grant	5,515
Reducing Class Size Grant	40,838
Total Intergovernmental Receivable	\$255,646

The School District entered into an agreement with the Ohio Schools Facilities Commission to construct three new school buildings and an auditorium. The State share receivable on the project as of June 30, 2010 is \$127,231.

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**Note 8 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 7/1/2009	Transfers	Additions	Deletions	Balance 6/30/2010
<b>Governmental Activities</b>					
<i>Capital Assets, not being depreciated:</i>					
Land	\$712,381	\$0	\$0	\$0	\$712,381
Construction in Progress	19,432,630	0	8,365,477	(25,229,567)	2,568,540
<i>Total Capital Assets, not depreciated:</i>	<u>20,145,011</u>	<u>0</u>	<u>8,365,477</u>	<u>(25,229,567)</u>	<u>3,280,921</u>
<i>Capital Assets, being depreciated:</i>					
Land Improvements	22,726,483	(22,132,166)	20,573	(594,317)	20,573
Buildings and Improvements	3,787,321	22,132,166	24,815,536	(3,266,022)	47,469,001
Furniture, Equipment and Fixtures	2,265,190	0	482,547	(26,865)	2,720,872
Vehicles	1,868,940	0	0	0	1,868,940
<i>Total Capital Assets, being depreciated:</i>	<u>30,647,934</u>	<u>0</u>	<u>25,318,656</u>	<u>(3,887,204)</u>	<u>52,079,386</u>
Less Accumulated Depreciation:					
Land Improvements	(1,058,958)	553,304	(11,396)	500,788	(16,262)
Buildings and Improvements	(2,549,044)	(553,304)	(1,358,282)	2,558,578	(1,902,052)
Furniture, Equipment and Fixtures	(1,224,814)	0	(296,185)	6,932	(1,514,067)
Vehicles	(654,475)	0	(61,185)	0	(715,660)
<i>Total Accumulated Depreciation</i>	<u>(5,487,291)</u>	<u>0</u>	<u>(1,727,048)</u>	<u>3,066,298</u>	<u>(4,148,041)</u>
<i>Total Capital Assets depreciated, net</i>	<u>25,160,643</u>	<u>0</u>	<u>23,591,608</u>	<u>(820,906)</u>	<u>47,931,345</u>
<b>Total District Capital Assets, Net</b>	<u><u>\$45,305,654</u></u>	<u><u>\$0</u></u>	<u><u>\$31,957,085</u></u>	<u><u>(\$26,050,473)</u></u>	<u><u>\$51,212,266</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,145,909
Special	62,702
Vocational	184
Support Services:	
Instructional Staff	64
Administration	37,163
Operation and Maintenance of Plant	197,201
Pupil Transportation	158,390
Operation of Non-Instructional Services	40,738
Operation of Food Services	80,423
Extracurricular Activities	4,274
<b>Total Depreciation Expense</b>	<u><u>\$1,727,048</u></u>



**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements  
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**Note 9 – Interfund Activity**

**A. Interfund Transfers**

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

<b>Transfers To</b>	<b>Transfers From</b>
	General
<i>Major Governmental Funds:</i>	
Bond Retirement Fund	\$54,097
<i>Nonmajor Governmental Funds:</i>	
Food Service Fund	64,136
Public School Support	123
Emergency Management Information Systems Fund	5,988
Data Communication Fund	348
Poverty Based Assistance	762
Miscellaneous State Grants	399
Title II-D Technology	506
Title I	34,524
	<u>\$160,883</u>
Total	<u>\$160,883</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization. Transfers are also used to close out the funds that are no longer required.

**B. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2010, as reported on the fund financial statements:

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

**Jefferson Area Local School District**  
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The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Advances to/from for the year ended June 30, 2010 are classified as "Due to/from Other Funds" and consisted of an advance from a non-major governmental fund (Public School Support) to the student activities agency fund for \$7,420.

**Note 10 – Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2010, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.

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

The classified personnel accumulate vacation based on the following schedule:

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

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

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

**Note 11 - Defined Benefit Pension Plans**

***A - School Employees Retirement System***

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
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Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$291,222, \$198,693, and \$200,148, respectively; 47.5 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***B - State Teachers Retirement System***

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
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DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

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

A Defined Benefit or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
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Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2010, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008, were \$965,655, \$933,515, and \$916,828, respectively; 83.8 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010, the latest information available, were \$35,317 made by the District and \$25,226 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* were available after December 31, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**Note 12 - Postemployment Benefits**

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

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

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

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation is .76 percent. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$17,318, \$16,394 and \$16,388, respectively, which equaled the required contributions each year.

Health Care Plan – ORC Sections 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
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The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2010, the health care allocation is 0.46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were \$43,674, \$124,123 and \$122,578, respectively; 47.5 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

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

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

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

Funding Policy – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2010, 2009 and 2008 were \$74,281, \$71,809 and \$70,525 respectively; 83.8 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 13 – Risk Management**

***A. Comprehensive***

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
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General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District also provides umbrella liability insurance in the amount of \$3,000,000 for each occurrence and \$3,000,000 in the aggregate.

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

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

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

***B. Employee Medical Benefits***

The School District has contracted with the Ashtabula County Schools Council of Governments to provide employee medical/surgical, prescription drug, dental and vision benefits. The Ashtabula County Schools Council of Governments is organized under Chapter 167 of the Ohio Revised Code and is comprised of seven Ashtabula County school districts. Rates are set by the Ashtabula County Schools Council of Governments board of directors. The School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. Ashtabula County Schools Council of Governments is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of the Council of Governments. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the School District. The School District is not liable nor receives a cash balance of past claims upon departure from the pool.

***C. Workers' Compensation***

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Jefferson Area Local School District**  
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**Note 14 – Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2010, are as follows:

<b>Governmental-Type Activities</b>	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts due in One Year
<b>General Obligation Bonds</b>					
2006 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	\$7,415,000	\$0	\$495,000	\$6,920,000	\$510,000
Current Interest Term Bonds	11,255,000	0	0	11,255,000	0
Unamortized Premium	891,507	0	39,770	851,737	0
Capital Appreciation Bonds	689,979	0	0	689,979	0
Accretion on Capital Appreciation Bonds	213,839	64,695	0	278,534	0
<b>Total General Obligation Bonds</b>	<b>20,465,325</b>	<b>64,695</b>	<b>534,770</b>	<b>19,995,250</b>	<b>510,000</b>
<b>Other Long-Term Obligations:</b>					
Energy Conservation Note	200,000	0	45,000	155,000	50,000
Bus Purchase Loans	273,909	0	273,909	0	0
Compensated Absences	1,349,333	65,868	80,191	1,335,010	27,637
<b>Total Other Long-Term Obligations</b>	<b>1,823,242</b>	<b>65,868</b>	<b>399,100</b>	<b>1,490,010</b>	<b>77,637</b>
<b>Total Long-Term Obligations</b>	<b>\$22,288,567</b>	<b>\$130,563</b>	<b>\$933,870</b>	<b>\$21,485,260</b>	<b>\$587,637</b>

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

The 2006 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$64,695 represents the accretion of discounted interest. The final maturity of these bonds is \$1,115,000.

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

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

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



**Jefferson Area Local School District**  
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The School District's overall legal debt margin was \$4,734,078 with an unvoted debt margin of \$247,943 at June 30, 2010. Principal requirements to retire general obligation debt and long-term notes and loans outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$510,000	\$858,130	\$1,368,130	\$0	\$0	\$0
2012	0	849,205	849,205	340,090	189,910	530,000
2013	0	849,205	849,205	349,889	235,111	585,000
2014	585,000	837,505	1,422,505	0	0	0
2015	610,000	813,605	1,423,605	0	0	0
2016 - 2020	3,540,000	3,610,550	7,150,550	0	0	0
2021 - 2025	4,515,000	2,612,150	7,127,150	0	0	0
2026 - 2030	5,720,000	1,382,553	7,102,553	0	0	0
2031 - 2032	2,695,000	136,375	2,831,375	0	0	0
<b>Total</b>	<b>\$18,175,000</b>	<b>\$11,949,278</b>	<b>\$30,124,278</b>	<b>\$689,979</b>	<b>\$425,021</b>	<b>\$1,115,000</b>

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2011	\$50,000	\$6,662	\$56,662
2012	50,000	4,100	54,100
2013	55,000	1,409	56,409
<b>Total</b>	<b>\$155,000</b>	<b>\$12,171</b>	<b>\$167,171</b>

**Note 15 – Jointly Governed Organizations**

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2010. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained by contacting the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Ashtabula County Joint Vocational School District** The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2010. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

**Note 16 – Insurance Purchasing Pool**

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

**Note 17 – Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

**B. Litigation**

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

**Note 18 – Statutory Reserves**

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

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

	Capital		Budget
	Textbooks	Improvements	Stabilization
Set-Aside Reserve Balance as of June 30, 2009	\$1,178,466	\$0	\$1,922
Current Year Set-Aside Requirement	315,787	315,787	0
Qualifying Disbursements	(48,824)	(4,286)	0
Current year offsets	0	(572,036)	0
<b>Total</b>	<b>\$1,445,429</b>	<b>(\$260,535)</b>	<b>\$1,922</b>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	\$1,445,429	\$0	\$1,922
Cash balance as of June 30, 2010	\$1,445,429	\$0	\$1,922

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

**Note 19 – Change in Accounting Principles**

For fiscal year 2010, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 53 enhances the usefulness and comparability of derivative instrument information reported by state and local governments. This statement provides a comprehensive framework for the measurement, recognition, and disclosure of derivative instrument transactions. The implementation of GASB Statement No. 53 did not result in any changes to the District’s financial statements.

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of GASB Statement No. 57 did not result in any changes to the District’s financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of GASB Statement No. 58 did not result in any changes to the District’s financial statements.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

**Note 20 – Operating Lease**

The District entered into a lease for copy machines commencing October 2009 for 60 months. Total expenditures on this lease for the fiscal year ended June 30, 2010 were \$14,733. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2011	\$19,644
2012	19,644
2013	19,644
2014	19,644
2015	<u>4,911</u>
Total	<u><u>\$83,487</u></u>

**Note 21 – Contractual Commitments**

As of June 30, 2010, the District had contractual commitments outstanding for the following projects:

	<u>Contractual</u> <u>Commitments</u>	<u>Expended</u>	<u>Balance</u> <u>6/30/2010</u>
<i>Jefferson Elementary</i>			
Blaze Building Corp.	\$7,239,850	\$7,108,570	\$131,280
<i>Jefferson Junior &amp; Senior High (Including Stadium)</i>			
APL Electric	2,702,563	2,663,767	38,796
Blaze Building Corporation	12,227,465	11,904,788	322,677
Buehrer Group	1,743,543	1,696,092	47,451
C. Tucker Cope & Associates	1,207,120	267,904	939,216
Dial Electric LTD.	68,552	3,820	64,732
Housel Construction	149,503	94,762	54,741
Infinity Paving	249,889	3,220	246,669
Marous Brothers Construction	1,250,652	1,244,939	5,713
Penn-Ohio Electrical Company	160,100	30,792	129,308
Proquality Land Development	268,400	163,703	104,697
Robert Anchor Plumbing Inc.	311,200	29,574	281,626
Spectra Contract Flooring	382,894	380,803	2,091
Western Reserve Mechanical	2,560,253	2,521,333	38,920
Totals	<u><u>\$30,521,984</u></u>	<u><u>\$28,114,067</u></u>	<u><u>\$2,407,917</u></u>

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2010*

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**Note 22 – New Accounting Standards**

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

In June of 2009, the GASB issued Statement No. 59, “Financial Instruments Omnibus”. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Statement No. 59 is not effective for the District until fiscal year 2011.

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

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 31, 2011, wherein we noted that the District adopted *GASB Statement No's. 53, 57 and 58*, as disclosed in Note 19. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2010-3 and 2010-4.

Board of Education  
Jefferson Area Local School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-1 through 2010-2 and 2010-5.

We noted certain matters that we reported to management of the District in a separate letter dated March 31, 2011.

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

This report is intended solely for the information and use of the Board of Education, Management, others within the entity, the Auditor of State's Office, 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.

*Ciuni & Panichi, Inc.*

Cleveland, Ohio  
March 31, 2011

**Independent Auditors' Report on Compliance With Requirements That Could Have a  
Direct and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance With OMB Circular A-133**

Board of Education  
Jefferson Area Local School District  
Jefferson, Ohio

**Compliance**

We have audited Jefferson Area Local School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompany schedule and findings and responses as item 2010-6.

We noted certain matters that we reported to management of the District, in a separate letter dated March 31, 2011.



### **Internal Control over Compliance**

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

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2010, and have issued our report thereon dated March 31, 2011, wherein we noted that the District adopted *GASB Statement No's. 53, 57 and 58*, as disclosed in Note 19. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

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

This report is intended solely for the information and use of the Board of Education, Management, others within the entity, the Auditor of State's Office, 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.

*Cimini & Paricki, Inc.*

Cleveland, Ohio  
March 31, 2011

# Jefferson Area Local School District

## Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. Department of Agriculture: Passed-Through Ohio Department of Education:					
Nutrition Cluster:					
School Breakfast Program	10.553	\$ 72,675	\$ -	\$ 72,675	\$ -
School Lunch Program	10.555	<u>283,109</u>	<u>59,902</u>	<u>283,109</u>	<u>50,945</u>
Total Nutrition Cluster		<u>355,784</u>	<u>59,902</u>	<u>355,784</u>	<u>50,945</u>
Total U.S. Department of Agriculture		<u>355,784</u>	<u>59,902</u>	<u>355,784</u>	<u>50,945</u>
U.S. Department of Education: Passed-Through Ohio Department of Education:					
Title I, Part A Cluster:					
Title I	84.010	294,964	-	356,741	-
ARRA – Title I	84.389	<u>109,200</u>	<u>-</u>	<u>108,882</u>	<u>-</u>
Total Title I, Part A Cluster		<u>404,164</u>	<u>-</u>	<u>465,623</u>	<u>-</u>
Safe and Drug Free Schools	84.186	613	-	5,542	-
Innovative Education Program Strategy	84.298	-	-	2,769	-
Enhancing Education Through Technology	84.318	764	-	2,291	-
Title II-A	84.367	71,370	-	72,626	-
ARRA – State Fiscal Stabilization Fund	84.394	<u>529,644</u>	<u>-</u>	<u>426,952</u>	<u>-</u>
Total U.S. Department of Education		<u>1,006,555</u>	<u>-</u>	<u>975,803</u>	<u>-</u>
Total Expenditures of Federal Awards		\$ <u>1,362,339</u>	\$ <u>59,902</u>	\$ <u>1,331,587</u>	\$ <u>50,945</u>

The accompanying notes are an integral part of this schedule

# Jefferson Area Local School District

Notes to the Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended June 30, 2010

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## **Note 1: Significant Accounting Policies**

### **Basis of Presentation**

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

### **Child Nutrition Cluster**

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

### **Non-Cash Support**

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

CFDA – Catalog of Federal Domestic Assistance

# Jefferson Area Local School District

Schedule of Findings

OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2010

## 1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .510(a)?	Yes
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA No. 10.553 and 10.555 Title I, Part A Cluster CFDA No. 84.010 and 84.389 State Fiscal Stabilization Fund CFDA No. 84.394
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

# Jefferson Area Local School District

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

For the Fiscal Year Ended June 30, 2010

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

Findings	Findings Summary																																												
2010-1	<p data-bbox="331 552 634 583"><b><i>Material Noncompliance</i></b></p> <p data-bbox="331 615 1487 705">Per ORC Section 5705.41 (B), no subdivision or taxing unit is to expend money unless it has been appropriated. The following funds had expenditures plus encumbrances in excess of final appropriations:</p> <p data-bbox="331 737 505 768">General Fund:</p> <p data-bbox="354 768 492 800">Instruction:</p> <table data-bbox="375 800 1268 894"> <tr> <td>Regular – Other</td> <td style="text-align: right;">\$ 53,246</td> </tr> <tr> <td>Special – Personal Services</td> <td style="text-align: right;">30,461</td> </tr> <tr> <td>Other – Personal Services</td> <td style="text-align: right;">3,323</td> </tr> </table> <p data-bbox="354 894 561 926">Support Services:</p> <table data-bbox="375 926 1268 1293"> <tr> <td>Pupils – Personal Services</td> <td style="text-align: right;">4,547</td> </tr> <tr> <td>Pupils – Other</td> <td style="text-align: right;">99,979</td> </tr> <tr> <td>Instructional Staff – Personal Services</td> <td style="text-align: right;">5,007</td> </tr> <tr> <td>Administration – Personal Services</td> <td style="text-align: right;">37,047</td> </tr> <tr> <td>Administration – Other</td> <td style="text-align: right;">12,913</td> </tr> <tr> <td>Fiscal – Personal Services</td> <td style="text-align: right;">5,046</td> </tr> <tr> <td>Business – Other</td> <td style="text-align: right;">2,815</td> </tr> <tr> <td>Operation of Maintenance and Plant – Personal Services</td> <td style="text-align: right;">36,047</td> </tr> <tr> <td>Pupil Transportation – Personal Services</td> <td style="text-align: right;">59,101</td> </tr> <tr> <td>Central – Other</td> <td style="text-align: right;">35,275</td> </tr> <tr> <td>Extracurricular Activities – Personal Services</td> <td style="text-align: right;">5,509</td> </tr> <tr> <td>Transfers</td> <td style="text-align: right;">54,801</td> </tr> </table> <p data-bbox="331 1293 618 1325">Special Revenue Funds:</p> <table data-bbox="354 1325 1268 1398"> <tr> <td>Food Service – Personal Services</td> <td style="text-align: right;">31,061</td> </tr> <tr> <td>Disadvantaged Pupil Impact Aid Fund</td> <td></td> </tr> </table> <p data-bbox="375 1398 513 1430">Instruction:</p> <table data-bbox="402 1430 1268 1461"> <tr> <td>Special – Other</td> <td style="text-align: right;">2,962</td> </tr> </table> <p data-bbox="354 1461 561 1493">Ohio Reads Fund</p> <p data-bbox="375 1493 513 1524">Instruction:</p> <table data-bbox="402 1524 1268 1556"> <tr> <td>Regular – Other</td> <td style="text-align: right;">759</td> </tr> </table> <p data-bbox="354 1556 740 1587">Miscellaneous State Grants Fund</p> <p data-bbox="375 1587 586 1619">Support Services:</p> <table data-bbox="402 1619 1268 1650"> <tr> <td>Pupil – Other</td> <td style="text-align: right;">2,999</td> </tr> </table> <p data-bbox="354 1650 651 1682">Fiscal Stabilization Fund</p> <p data-bbox="375 1682 513 1713">Instruction:</p> <table data-bbox="402 1713 1268 1745"> <tr> <td>Regular – Other</td> <td style="text-align: right;">18,724</td> </tr> </table> <p data-bbox="354 1745 537 1776">Title II-D Fund</p> <p data-bbox="375 1776 513 1808">Instruction:</p> <table data-bbox="402 1808 1268 1839"> <tr> <td>Special – Personal Services</td> <td style="text-align: right;">797</td> </tr> </table>	Regular – Other	\$ 53,246	Special – Personal Services	30,461	Other – Personal Services	3,323	Pupils – Personal Services	4,547	Pupils – Other	99,979	Instructional Staff – Personal Services	5,007	Administration – Personal Services	37,047	Administration – Other	12,913	Fiscal – Personal Services	5,046	Business – Other	2,815	Operation of Maintenance and Plant – Personal Services	36,047	Pupil Transportation – Personal Services	59,101	Central – Other	35,275	Extracurricular Activities – Personal Services	5,509	Transfers	54,801	Food Service – Personal Services	31,061	Disadvantaged Pupil Impact Aid Fund		Special – Other	2,962	Regular – Other	759	Pupil – Other	2,999	Regular – Other	18,724	Special – Personal Services	797
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# Jefferson Area Local School District

Schedule of Findings  
OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2010

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

<p>2010-1 (continued)</p>	<p>Special Revenue (continued)</p> <p>Title I Fund</p> <p>Instruction:</p> <p>    Special – Personal Services 56,072</p> <p>Support Services:</p> <p>    Administrative – Personal Services 192</p> <p>Title V Fund</p> <p>Support Services:</p> <p>    Instructional Staff – Other 1,197</p> <p>Improving Teacher Quality Fund</p> <p>Instruction:</p> <p>    Regular – Personal Services 23,088</p> <p>    Special – Personal Services 260</p> <p>Capital Projects Funds:</p> <p>Building Fund</p> <p>    Capital Outlay - Other 1,446,478</p> <p>SchoolNet Professional Development</p> <p>Support Services:</p> <p>    Instructional Staff - Other 7,281</p> <p>Bond Retirement Debt Service Fund 93,766</p>																																		
<p>2010-2</p>	<p><b>Material Noncompliance</b></p> <p>Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue. The following funds had final appropriations plus carryover encumbrances in excess estimated resources:</p> <table data-bbox="331 1352 1266 1881"> <thead> <tr> <th></th> <th style="text-align: right;"><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Special Revenue Funds:</td> <td></td> </tr> <tr> <td>    Food Service Fund</td> <td style="text-align: right;">\$ 34,014</td> </tr> <tr> <td>    Uniform School Supplies Fund</td> <td style="text-align: right;">5,092</td> </tr> <tr> <td>    Public School Support Fund</td> <td style="text-align: right;">58,905</td> </tr> <tr> <td>    Other Grants Fund</td> <td style="text-align: right;">4,856</td> </tr> <tr> <td>    EMIS Fund</td> <td style="text-align: right;">21,022</td> </tr> <tr> <td>    Data Communications Fund</td> <td style="text-align: right;">20,052</td> </tr> <tr> <td>    School Net Professional Development</td> <td style="text-align: right;">2,223</td> </tr> <tr> <td>    Miscellaneous State Grants Fund</td> <td style="text-align: right;">2,544</td> </tr> <tr> <td>    Title I Fund</td> <td style="text-align: right;">16,020</td> </tr> <tr> <td>    Drug Free School Grant Fund</td> <td style="text-align: right;">980</td> </tr> <tr> <td>Debt Service Fund</td> <td style="text-align: right;">243,717</td> </tr> <tr> <td>Capital Projects Funds:</td> <td></td> </tr> <tr> <td>    Permanent Improvement Fund</td> <td style="text-align: right;">109,452</td> </tr> <tr> <td>    Building Fund</td> <td style="text-align: right;">13,657,593</td> </tr> <tr> <td>    Classroom Facilities Fund</td> <td style="text-align: right;">5,185,364</td> </tr> </tbody> </table>		<u>Final</u>	Special Revenue Funds:		Food Service Fund	\$ 34,014	Uniform School Supplies Fund	5,092	Public School Support Fund	58,905	Other Grants Fund	4,856	EMIS Fund	21,022	Data Communications Fund	20,052	School Net Professional Development	2,223	Miscellaneous State Grants Fund	2,544	Title I Fund	16,020	Drug Free School Grant Fund	980	Debt Service Fund	243,717	Capital Projects Funds:		Permanent Improvement Fund	109,452	Building Fund	13,657,593	Classroom Facilities Fund	5,185,364
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# Jefferson Area Local School District

Schedule of Findings  
OMB Circular A-133 Section .505

For the Fiscal Year Ended June 30, 2010

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

2010-3	<p><b>Material Weakness</b></p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:</p> <ol style="list-style-type: none"><li>1. Decrease construction in progress (CIP) and increased depreciable capital assets by \$25,229,567 to account for completion of Junior / Senior High School and added \$65,398 to CIP for additional activity not picked up, for a net adjustment of \$25,164,169.</li><li>2. Increased current year depreciation expense by \$595,525 to account for the movement of the new building and removal of current activity from previously disposed of items in the following expense line items: Regular Instruction \$545,951, Special Instruction \$23,454, Pupil Support Services \$(344), Instructional Staff Support Services \$(460), Administration Support Services \$18,512, Operation and Maintenance Support Services \$(70,212), Pupil Transportation Support Services \$(429), Food Service Operations \$70,306, and Extracurricular Activities \$(253).</li><li>3. Decreased depreciable assets and related accumulated depreciation by \$3,887,204 and \$3,066,298, respectively to account for the removal of old Junior and Senior High building and contents.</li><li>4. Adjusted Invested in Capital, Net of Related Debt for above entries for \$2,233,211.</li><li>5. Adjusted retainage payable by \$531,762 for amounts that were not originally recorded.</li><li>6. Increased intergovernmental receivable in Other Governmental Funds by \$7,454 to properly account for funds relating to <i>ARRA</i> monies and other monies received in July.</li><li>7. Adjusted accrued wages in General Fund by \$246,293 and Other Governmental Funds by \$30,942 to properly reflect amounts owed to employees.</li><li>8. Adjusted intergovernmental payable in General Fund by \$11,835 and Other Governmental Funds by \$1,329 to properly reflect pension liability.</li></ol> <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District's management needs to review the statements to be sure that all items are being properly recorded. As a significant portion of the adjustments related to the construction projects with the Ohio Schools Facilities Commission, it is also recommended that a person is designated to monitor these expenses regularly and be sure that all contractors' payments are up to date.</p>
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# Jefferson Area Local School District

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

For the Fiscal Year Ended June 30, 2010

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

2010-4	<p><b>Material Weakness</b></p> <p>The District was not properly reconciling their bank statements with their system; therefore, they were understating fund balances by \$1,494,950. Management contracted with a third party to perform reconciliations for the year under audit to correct the misstatement.</p>
2010-5	<p><b>Material Noncompliance</b></p> <p>Ohio Revised Code Section 117.38 requires all public offices to file a financial report for each fiscal year. GAAP basis entities must file annual reports within 150 days. The Auditor of State may prescribe forms by rule or may issue guidelines, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.</p> <p>For the year ended June 30, 2010, the School District did not file an annual report with the Auditor of State's office within 150 days and did not publish a notice in the paper.</p> <p>We recommend that the School District comply with the above-mentioned code section and file their annual report timely and publish notice in the paper.</p> <p><b>Management's Response:</b></p> <p>This will be corrected in the future. As a result of the date of the prior audit, these items have not been corrected. The first year the report can be filed timely with the Auditor of State's office will be fiscal year ending June 30, 2011.</p>



# Jefferson Area Local School District

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

For the Fiscal Year Ended June 30, 2010

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### 3. Findings for Federal Awards

2010-6	<p><i>Noncompliance – Reporting</i></p> <p><b>CFDA Title and Number:</b> Title I – Cluster, CFDA #84.010 <b>Federal Award Number/Year:</b> 2010 <b>Federal Agency:</b> Department of Education <b>Pass-Through Agency:</b> Ohio Department of Education</p> <p><b>Consolidated Application Assurances item 5</b> provides, that LEA’s will make reports to the Ohio Department of Education (ODE) as may be reasonable necessary to enable ODE to perform their duties. The reports shall be completed and submitted in accordance with the standards and procedures designated by ODE and shall be support by appropriate documentation.</p> <p>The ODE has mandated that the final expenditure report (FER) is to be submitted for each project immediately after all financial obligations have been liquidated. The report is due no later than 90 days after the end of the project period, for programs contained in the CCIP. Failure to submit the report in a timely manner may result in temporary suspension of the flow of federal funds for the grant until the project is closed.</p> <p><b>Condition Found:</b> The FER for the 2010 grant year was due September 30, 2010, but was not prepared until November 30, 2010 for the Title I Cluster and was finalized by the ODE on December 6, 2010.</p> <p><b>Recommendation:</b> We recommend the District adopt policies and procedures to ensure that the final expenditure report is filed timely.</p> <p><b>Management’s Response:</b> The District is aware of deadline and will complete timely for Fiscal 2011.</p>
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## Jefferson Area Local School District

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

June 30, 2010

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<b>Findings</b>	<b>Findings Summary</b>	<b>Corrected</b>	<b>Responsible Contact Person; Not Corrected, Partially Corrected</b>
2009-1	Per ORC Section 5705.41(B), the District is prohibited from making expenditures unless it has been properly appropriated.	No	Bonnie Brockway, Interim Treasurer; Repeat comment
2009-2	Per ORC Section 5705.39, the total appropriations plus carryover encumbrances from each fund shall not exceed the total estimated revenues.	No	Bonnie Brockway, Interim Treasurer; Repeat comment
2009-3	The District was not monitoring the GAAP conversion process and therefore, several significant journal entries were required to adjust balances to actual.	No	Bonnie Brockway, Interim Treasurer; Repeat comment
2009-4	The District was not reconciling the bank accounts timely or accurately.	No	Bonnie Brockway, Interim Treasurer; Repeat comment
2009-5	Single audit reports were not filed timely with the Federal Audit Clearing House.	Yes	Bonnie Brockway, Interim Treasurer; Repeat comment
2009-6	Single audit reports were not filed timely with the Ohio Department of Education.	No	Bonnie Brockway, Interim Treasurer; Repeat comment

**Jefferson Area Local School District**

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

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

June 30, 2010

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2010-1	Bonnie Brockway, Interim Treasurer, will monitor actual expenditures more closely, to ensure they do not exceed the budgeted amounts.	By Fiscal year-ended 2012	Bonnie Brockway Interim Treasurer
2010-2	Bonnie Brockway, Interim Treasurer, will monitor budgeting process more closely, to ensure the appropriation plus prior year encumbrances do not exceed estimated resources.	By Fiscal year-ended 2012	Bonnie Brockway Interim Treasurer
2010-3	Bonnie Brockway, Interim Treasurer, will monitor GAAP conversion more closely.	Fiscal year 2011	Bonnie Brockway Interim Treasurer
2010-4	Bonnie Brockway, Interim Treasurer, will reconcile cash with the system on a more regular basis.	Fiscal year 2011	Bonnie Brockway Interim Treasurer
2010-5	Bonnie Brockway, Interim Treasurer, will monitor GAAP conversion to be sure that it is completed timely.	Fiscal year 2011	Bonnie Brockway Interim Treasurer
2010-6	Bonnie Brockway, Interim Treasurer, will ensure that Single Audit reports are filed timely with the Ohio Department of Education.	Fiscal year 2011	Bonnie Brockway Interim Treasurer

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# Dave Yost • Auditor of State

JEFFERSON AREA LOCAL SCHOOL DISTRICT

ASHTABULA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MAY 5, 2011