



Dave Yost • Auditor of State

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To The Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Area Local School District, Ashtabula County, Ohio, as of June 30, 2014, and the respective changes in financial position where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted to opine on the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule presents additional analysis and is not a required part of basic financial statements.

The Federal Awards Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 12, 2015

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Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position decreased by \$106,836, which represents a decrease of less than 1 percent from fiscal year 2013.
- Revenues for governmental activities totaled \$18,096,088 in fiscal year 2014. Of this total, 87 percent consisted of general revenues while program revenues accounted for the balance of 13 percent.
- Program expenses totaled \$18,202,924. Instructional expenses made up 58 percent of this total while support services accounted for 32 percent. Other expenses rounded out the remaining 10 percent.
- The District's major governmental funds are the general fund, the bond retirement debt service fund and the classroom facilities capital projects fund. The general fund had \$14,982,670 in revenues and \$14,230,423 in expenditures. During fiscal year 2014, the general fund's fund balance increased \$489,689 from \$1,739,802 to \$2,229,491.
- The District's other major governmental funds are the bond retirement debt service fund and the classroom facilities capital projects fund. The bond retirement fund had \$1,443,464 in revenues and \$1,339,150 in expenditures. The bond retirement fund balance increased \$104,314 during fiscal year 2014. The classroom facilities fund had \$2,170,074 in revenues and \$3,268,602 in expenditures. The classroom facilities fund balance decreased \$1,098,528 during fiscal year 2014.
- The District paid principal of \$1,060,645 on its long-term debt obligations during the fiscal year. The District also issued a new lease purchase agreement of \$90,312.

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

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Reporting the School District as a Whole

Statement of Net Position 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 2014?" The *Statement of Net Position* 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 position and the changes in that position. This change in net position 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 Position 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 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Fiduciary Funds The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in private purpose trust and agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. 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 Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's Net Position for 2014 compared to 2013:

Net Position (Table 1)
Governmental Activities

	2014	2013	Change
Assets			
Current and Other Assets	\$15,084,533	\$19,621,250	(\$4,536,717)
Capital Assets, Net	56,206,196	54,540,669	1,665,527
<i>Total Assets</i>	<u>71,290,729</u>	<u>74,161,919</u>	<u>(2,871,190)</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	1,213,148	1,284,385	(71,237)
Liabilities			
Current Liabilities	2,268,105	3,682,661	(1,414,556)
Long-Term Liabilities			
Due within One Year	1,114,558	1,100,715	13,843
Due in More than One Year	21,725,166	22,664,361	(939,195)
<i>Total Liabilities</i>	<u>25,107,829</u>	<u>27,447,737</u>	<u>(2,339,908)</u>
Deferred Inflows of Resources			
Property Taxes	5,432,350	5,928,033	(495,683)
Net Position			
Net Investment in Capital Assets	36,457,528	33,748,683	2,708,845
Restricted	3,888,759	6,885,768	(2,997,009)
Unrestricted (Deficit)	1,617,411	1,436,083	181,328
<i>Total Net Position</i>	<u>\$41,963,698</u>	<u>\$42,070,534</u>	<u>(\$106,836)</u>

Total assets decreased \$2,871,190 which can be attributed mostly to decreases in cash and cash equivalents and property taxes receivable related to the amounts available for advance.

Total liabilities decreased \$2,339,908. The majority of this decrease was due to decreases in contracts payable and long term liabilities as the District paid down its debt and new lease purchase agreements.

By comparing assets, deferred outflows, liabilities and deferred inflows, one can see the overall position of the School District has slightly decreased as evidenced by the decrease in Net Position of \$106,836.

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 2 shows the changes in Net Position for fiscal year 2014.

Table 2
Change in Net Position
Governmental Activities

	2014	2013	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,366,351	\$1,449,631	(\$83,280)
Operating Grants and Contributions	916,292	870,321	45,971
Capital Grants and Contributions	500	150,000	(149,500)
<i>Total Program Revenues</i>	<u>2,283,143</u>	<u>2,469,952</u>	<u>(186,809)</u>
General Revenues			
Property Taxes	6,347,640	3,894,482	2,453,158
Intergovernmental	9,132,624	11,123,007	(1,990,383)
Investment Earnings	9,544	9,477	67
Miscellaneous	316,137	328,959	(12,822)
Gain on Sale of Capital Assets	7,000	0	7,000
<i>Total General Revenues</i>	<u>15,812,945</u>	<u>15,355,925</u>	<u>457,020</u>
<i>Total Revenues</i>	<u>18,096,088</u>	<u>17,825,877</u>	<u>270,211</u>
Program Expenses			
Current:			
Instruction	10,491,209	10,878,059	(386,850)
Support Services:			
Pupils	512,811	1,218,795	(705,984)
Instructional Staff	337,435	380,954	(43,519)
Board of Education	17,284	18,165	(881)
Administration	1,180,246	1,303,509	(123,263)
Fiscal	521,124	479,389	41,735
Business	8,670	5,587	3,083
Operation and Maintenance of Plant	1,819,757	1,599,145	220,612
Pupil Transportation	1,282,219	1,339,011	(56,792)
Central	104,552	196,369	(91,817)
Operation of Non-Instructional Services	132,769	93,309	39,460
Operation of Food Services	629,094	724,853	(95,759)
Extracurricular Activities	559,881	561,815	(1,934)
Interest and Fiscal Charges	605,873	509,525	96,348
Bond Issuance Costs	0	314,977	(314,977)
<i>Total Program Expenses</i>	<u>18,202,924</u>	<u>19,623,462</u>	<u>(1,420,538)</u>
<i>Change in Net Position</i>	(106,836)	(1,797,585)	1,690,749
Net Position Beginning of Year	<u>42,070,534</u>	<u>43,868,119</u>	<u>(1,797,585)</u>
<i>Net Position End of Year</i>	<u>\$41,963,698</u>	<u>\$42,070,534</u>	<u>(\$106,836)</u>

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Governmental Activities

Net Position of the District's governmental activities decreased \$106,836. Total governmental expenses of \$18,202,924 were partially offset by program revenues of \$2,283,143 and general revenues of \$15,812,945. Program revenues supported 13 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 86 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$10,491,209 or 58 percent of total governmental expenses for fiscal year 2014.

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

	2014		2013	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,070,990	\$7,228,583	\$9,236,173	\$8,480,000
Special	2,389,915	1,881,728	1,623,403	1,240,564
Vocational	30,304	26,814	18,483	17,144
Support Services:				
Pupils	512,811	509,614	1,218,795	1,116,744
Instructional Staff	337,435	226,594	380,954	252,502
Board of Education	17,284	17,284	18,165	16,687
Administration	1,180,246	1,119,283	1,303,509	1,176,880
Fiscal	521,124	521,124	479,389	443,623
Business	8,670	8,670	5,587	5,132
Operation and Maintenance of Plant	1,819,757	1,819,257	1,599,145	1,496,698
Pupil Transportation	1,282,219	1,282,219	1,339,011	1,244,788
Central	104,552	97,352	196,369	173,186
Operation of Non-Instructional Services	132,769	63,750	93,309	85,714
Food Service Operation	629,094	74,342	724,853	105,284
Extracurricular Activities	559,881	437,294	561,815	474,062
Interest and Fiscal Charges	605,873	605,873	509,525	509,525
Bond Issuance Costs	0	0	314,977	314,977
Total Expenditures	\$18,202,924	\$15,919,781	\$19,623,462	\$17,153,510

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 35 percent of instruction activities are supported through property taxes. The District's taxpayers, as a whole, are by far the primary support for the District's students.

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$20,226,987 to offset expenditures, excluding other financing uses, of \$20,886,617. The net change in fund balance for the year was most significant in the classroom facilities fund, which decreased \$1,098,528 due to the decrease in cash related to payments for ongoing construction projects. 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 32 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 2014, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$14,752,222 and \$15,229,547, respectively. Actual revenues for fiscal year 2014 were 14,948,286, which was \$281,261 lower than final budgeted revenues.

General fund original appropriations were \$15,955,223 and final appropriations were \$16,908,486. The actual budget basis expenditures for fiscal year 2014 totaled \$14,698,087, which was \$2,210,339 lower than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$56,206,196 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2014 balances compared to fiscal year 2013:

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

	2014	2013
Land	\$540,800	\$540,800
Construction in Progress	6,022,229	2,775,280
Land Improvements	3,519,630	3,745,601
Buildings and Improvements	45,072,340	46,314,963
Furniture and Equipment	872,391	903,840
Vehicles	178,806	260,185
<i>Total</i>	<u>\$56,206,196</u>	<u>\$54,540,669</u>

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

All capital assets, except land, are reported net of depreciation. The overall increase in capital assets of \$1,665,527 is due to the District's depreciation expense of \$1,705,137 and net deletions being less than capital outlays of \$3,370,664 during the fiscal year, resulting in the overall increase in capital assets.

During fiscal year 2014, the District continued work on its roof replacement project and expects to complete the project in fiscal year 2015. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

Debt

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

Table 5
Outstanding Debt at Year End

	<u>2014</u>	<u>2013</u>
Ohio School Facilities Bonds	\$17,996,134	\$18,984,842
Capital Appreciation Bonds	895,000	895,000
Accretion on Capital Appreciation Bonds	228,938	38,502
Lease Purchase Agreements	<u>2,965,682</u>	<u>3,091,015</u>
<i>Total</i>	<u>\$22,085,754</u>	<u>\$23,009,359</u>

Of the total outstanding debt, \$1,029,739 is due within one year and the rest is due in more than one year. During fiscal year 2014, the District issued a lease purchase agreement for copiers for \$90,312. For more information about the School District's debt, see Note 16 to the basic financial statements.

Current Financial Issues

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

With the District facing economic challenges in the future due to state and federal reductions and unsettled issues in school funding, the Board of Education continues to place cost reduction factors into the budget. Like many school districts in the state of Ohio the District remains vigilant to financially meet the academic needs of all of the students as well as remain cost efficient in its operations. All of the school district's financial abilities will be needed to meet the challenges of the future.

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)*

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Patricia Smith, Treasurer, Jefferson Area Local School District, 121 So. Poplar Street, Jefferson, Ohio 44047.

Jefferson Area Local School District

Ashtabula County, Ohio

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,049,874
Accounts Receivable	7,937
Intergovernmental Receivable	68,788
Property Taxes Receivable	6,934,948
Inventory Held for Resale	11,282
Materials and Supplies Inventory	11,704
Nondepreciable Capital Assets	6,563,029
Depreciable Capital Assets, Net	49,643,167
<i>Total Assets</i>	<u>71,290,729</u>
Deferred Outflows of Resources	
Deferred Charge on Refunding	<u>1,213,148</u>
Liabilities	
Accounts Payable	33,234
Accrued Wages and Benefits Payable	1,178,705
Contracts Payable	493,260
Intergovernmental Payable	457,451
Matured Compensated Absences Payable	57,764
Accrued Interest Payable	47,691
Long-Term Liabilities:	
Due Within One Year	1,114,558
Due In More Than One Year	21,725,166
<i>Total Liabilities</i>	<u>25,107,829</u>
Deferred Inflows of Resources	
Property Taxes	<u>5,432,350</u>
Net Position	
Net Investment in Capital Assets	36,457,528
Restricted for:	
Capital Projects	1,419,869
Debt Service	1,795,511
Other Purposes	673,379
Unrestricted	1,617,411
<i>Total Net Position</i>	<u>\$41,963,698</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense)	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
Expenses				Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,070,990	\$760,994	\$81,413	\$0	(\$7,228,583)
Special	2,389,915	243,031	265,156	0	(1,881,728)
Vocational	30,304	3,490	0	0	(26,814)
Support Services:					
Pupils	512,811	0	3,197	0	(509,614)
Instructional Staff	337,435	0	110,841	0	(226,594)
Board of Education	17,284	0	0	0	(17,284)
Administration	1,180,246	0	60,963	0	(1,119,283)
Fiscal	521,124	0	0	0	(521,124)
Business	8,670	0	0	0	(8,670)
Operation and Maintenance of Plant	1,819,757	0	0	500	(1,819,257)
Pupil Transportation	1,282,219	0	0	0	(1,282,219)
Central	104,552	0	7,200	0	(97,352)
Operation of Non-Instructional Services	132,769	61,508	7,511	0	(63,750)
Operation of Food Services	629,094	174,741	380,011	0	(74,342)
Extracurricular Activities	559,881	122,587	0	0	(437,294)
Interest and Fiscal Charges	605,873	0	0	0	(605,873)
<i>Total Governmental Activities</i>	<u>\$18,202,924</u>	<u>\$1,366,351</u>	<u>\$916,292</u>	<u>\$500</u>	<u>(15,919,781)</u>
General Revenues					
Property Taxes Levied for:					
					4,700,509
					1,232,149
					321,799
					93,183
Grants and Entitlements not					
					9,132,624
					9,544
					316,137
					7,000
<i>Total General Revenues</i>					<u>15,812,945</u>
					(106,836)
					42,070,534
					<u>\$41,963,698</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2014

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,147,101	\$1,497,004	\$1,809,316	\$1,596,453	\$8,049,874
Accounts Receivable	7,823	0	0	114	7,937
Interfund Receivable	6,189	0	0	0	6,189
Intergovernmental Receivable	0	0	0	68,788	68,788
Property Taxes Receivable	5,126,504	1,354,372	0	454,072	6,934,948
Inventory Held for Resale	0	0	0	11,282	11,282
Materials and Supplies Inventory	0	0	0	11,704	11,704
<i>Total Assets</i>	<u>\$8,287,617</u>	<u>\$2,851,376</u>	<u>\$1,809,316</u>	<u>\$2,142,413</u>	<u>\$15,090,722</u>
Liabilities					
Accounts Payable	\$32,269	\$0	\$0	\$965	\$33,234
Accrued Wages and Benefits Payable	1,110,397	0	0	68,308	1,178,705
Contracts Payable	0	0	465,906	27,354	493,260
Intergovernmental Payable	435,364	0	0	22,087	457,451
Matured Compensated Absences Payable	53,128	0	0	4,636	57,764
Interfund Payable	0	0	0	6,189	6,189
<i>Total Liabilities</i>	<u>1,631,158</u>	<u>0</u>	<u>465,906</u>	<u>129,539</u>	<u>2,226,603</u>
Deferred Inflows of Resources					
Property Taxes	4,020,709	1,055,865	0	355,776	5,432,350
Unavailable Revenue - Property Taxes	406,259	112,493	0	36,424	555,176
Unavailable Revenue - Intergovernmental	0	0	0	66,864	66,864
<i>Total Deferred Inflows of Resources</i>	<u>4,426,968</u>	<u>1,168,358</u>	<u>0</u>	<u>459,064</u>	<u>6,054,390</u>
Fund Balances					
Nonspendable	1,267	0	0	12,747	14,014
Restricted	0	1,683,018	0	1,623,655	3,306,673
Committed	0	0	1,343,410	0	1,343,410
Assigned	141,152	0	0	0	141,152
Unassigned (Deficit)	2,087,072	0	0	(82,592)	2,004,480
<i>Total Fund Balances</i>	<u>2,229,491</u>	<u>1,683,018</u>	<u>1,343,410</u>	<u>1,553,810</u>	<u>6,809,729</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$8,287,617</u>	<u>\$2,851,376</u>	<u>\$1,809,316</u>	<u>\$2,142,413</u>	<u>\$15,090,722</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
For the Fiscal Year Ended June 30, 2014*

Total Governmental Fund Balances	\$6,809,729
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***Amounts reported for governmental activities in the
statement of net position are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 56,206,196

Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.

Property Taxes	555,176
Intergovernmental	<u>66,864</u>

Total	622,040
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In the statement of activities, interest is accrued on outstanding general obligation bonds and leases, whereas in governmental funds, an interest expenditure is reported when due. (47,691)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	(16,675,000)
Accretion on Bonds	(228,938)
Unamortized Premium	(2,216,134)
Deferred Outflow on Refunding	1,213,148
Lease Purchase Agreements	(2,965,682)
Compensated Absences	<u>(753,970)</u>

Total	<u>(21,626,576)</u>
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<i>Net Position of Governmental Activities</i>	<u><u>\$41,963,698</u></u>
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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, 2014*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$4,726,730	\$1,239,795	\$0	\$417,204	\$6,383,729
Tuition and Fees	1,007,515	0	0	0	1,007,515
Interest	8,528	0	1,016	0	9,544
Charges for Services	0	0	0	174,741	174,741
Extracurricular Activities	117,365	0	0	66,730	184,095
Contributions and Donations	7,511	0	0	500	8,011
Intergovernmental	8,808,411	203,555	2,160,149	971,100	12,143,215
Miscellaneous	306,610	114	8,909	504	316,137
<i>Total Revenues</i>	<u>14,982,670</u>	<u>1,443,464</u>	<u>2,170,074</u>	<u>1,630,779</u>	<u>20,226,987</u>
Expenditures					
Current:					
Instruction:					
Regular	6,613,851	0	0	110,031	6,723,882
Special	2,072,425	0	0	278,671	2,351,096
Vocational	30,304	0	0	0	30,304
Support Services:					
Pupils	533,336	0	0	2,670	536,006
Instructional Staff	231,310	0	0	100,804	332,114
Board of Education	17,284	0	0	0	17,284
Administration	1,092,285	0	0	79,428	1,171,713
Fiscal	475,939	28,185	0	9,231	513,355
Business	8,670	0	0	0	8,670
Operation and Maintenance of Plant	1,337,924	0	0	124,752	1,462,676
Pupil Transportation	1,194,730	0	0	0	1,194,730
Central	90,152	0	0	14,400	104,552
Operation of Non-Instructional Services	132,693	0	0	0	132,693
Operation of Food Services	0	0	0	630,581	630,581
Extracurricular Activities	309,208	0	0	57,218	366,426
Capital Outlay	90,312	0	3,268,602	329,329	3,688,243
Debt Service:					
Principal Retirement	0	845,000	0	215,645	1,060,645
Interest and Fiscal Charges	0	465,965	0	95,682	561,647
<i>Total Expenditures</i>	<u>14,230,423</u>	<u>1,339,150</u>	<u>3,268,602</u>	<u>2,048,442</u>	<u>20,886,617</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>752,247</u>	<u>104,314</u>	<u>(1,098,528)</u>	<u>(417,663)</u>	<u>(659,630)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	0	0	0	7,000	7,000
Proceeds of Lease Purchase Agreement	90,312	0	0	0	90,312
Transfers In	0	0	0	352,870	352,870
Transfers Out	(352,870)	0	0	0	(352,870)
<i>Total Other Financing Sources (Uses)</i>	<u>(262,558)</u>	<u>0</u>	<u>0</u>	<u>359,870</u>	<u>97,312</u>
<i>Net Change in Fund Balances</i>	489,689	104,314	(1,098,528)	(57,793)	(562,318)
<i>Fund Balances Beginning of Year</i>	1,739,802	1,578,704	2,441,938	1,611,603	7,372,047
<i>Fund Balances End of Year</i>	<u>\$2,229,491</u>	<u>\$1,683,018</u>	<u>\$1,343,410</u>	<u>\$1,553,810</u>	<u>\$6,809,729</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, 2014*

Net Change in Fund Balances - Total Governmental Funds (\$562,318)

**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 are allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	3,370,664	
Current Year Depreciation	(1,705,137)	
Total		1,665,527

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

Assets Disposed	(155,085)	
Accumulated Depreciation on Disposals	155,085	
Total		0

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

Property Taxes	(36,089)	
Intergovernmental	(2,101,810)	
Total		(2,137,899)

Other financing sources in the governmental funds increase long-term liabilities in the statement of net position.

Lease Purchase Agreement Issued		(90,312)
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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 position.

Principal Retirement		1,060,645
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	73,739	
Accreted Interest on Bonds	(190,436)	
Amortization of Premium	143,708	
Amortization of Deferred Amount of Advance Refunding	(71,237)	
Total		(44,226)

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

1,747

Change in Net Position of Governmental Activities (\$106,836)

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, 2014*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$4,671,010	\$4,690,332	\$4,690,332	\$0
Tuition and Fees	1,041,115	1,069,635	993,408	(76,227)
Interest	9,871	10,141	10,695	554
Extracurricular Activities	52,836	54,283	55,857	1,574
Intergovernmental	8,767,123	9,007,283	8,808,411	(198,872)
Miscellaneous	209,267	340,668	332,378	(8,290)
<i>Total Revenues</i>	<u>14,751,222</u>	<u>15,172,342</u>	<u>14,891,081</u>	<u>(281,261)</u>
Expenditures				
Current:				
Instruction:				
Regular	7,711,240	8,225,675	6,818,038	1,407,637
Special	2,192,202	2,306,759	2,006,736	300,023
Vocational	40,613	42,709	30,304	12,405
Support Services:				
Pupils	707,308	744,284	617,727	126,557
Instructional Staff	283,383	300,000	235,823	64,177
Board of Education	20,027	21,060	17,284	3,776
Administration	1,192,123	1,257,036	1,140,887	116,149
Fiscal	487,441	517,341	473,712	43,629
Business	10,473	11,014	8,679	2,335
Operation and Maintenance of Plant	1,464,950	1,541,885	1,331,946	209,939
Pupil Transportation	1,249,088	1,313,636	1,169,389	144,247
Central	188,970	198,727	112,499	86,228
Operation of Non-Instructional Services	73,900	77,716	70,005	7,711
Extracurricular Activities	331,990	349,129	305,999	43,130
<i>Total Expenditures</i>	<u>15,953,708</u>	<u>16,906,971</u>	<u>14,339,028</u>	<u>2,567,943</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,202,486)</u>	<u>(1,734,629)</u>	<u>552,053</u>	<u>2,286,682</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	1,000	0	0	0
Advances In	0	57,205	57,205	0
Advances Out	0	0	(6,189)	(6,189)
Transfers Out	(1,515)	(1,515)	(352,870)	(351,355)
<i>Total Other Financing Sources (Uses)</i>	<u>(515)</u>	<u>55,690</u>	<u>(301,854)</u>	<u>(357,544)</u>
<i>Net Change in Fund Balance</i>	<u>(1,203,001)</u>	<u>(1,678,939)</u>	<u>250,199</u>	<u>1,929,138</u>
<i>Fund Balance Beginning of Year</i>	<u>2,601,482</u>	<u>2,601,482</u>	<u>2,601,482</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>129,618</u>	<u>129,618</u>	<u>129,618</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,528,099</u>	<u>\$1,052,161</u>	<u>\$2,981,299</u>	<u>\$1,929,138</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District

Ashtabula County, Ohio

Statement of Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$41,388</u>	<u>\$29,541</u>
Liabilities		
Due to Students	<u>0</u>	<u>\$29,541</u>
Net Position		
Held in Trust for Scholarships	<u>\$41,388</u>	

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Changes in Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	<u>Scholarship</u>
Additions	
Contributions and Donations	\$10,000
Deductions	
Scholarships Awarded	<u>7,740</u>
<i>Change in Net Position</i>	2,260
<i>Net Position Beginning of Year</i>	<u>39,128</u>
<i>Net Position End of Year</i>	<u><u>\$41,388</u></u>

See accompanying notes to the basic financial statements

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Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 101 certified employees and 76 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, 2014

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 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 plus deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the School District's major governmental funds:

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

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 position 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 private purpose 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 unavailable revenue and in the presentation of expenses versus expenditures.

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

Non-exchange 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 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 Outflows/Inflows of Resources In addition to assets, the statements of net position and balance sheets will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources include a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statements of net position and balance sheets report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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

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

D. Budget and Budgetary Accounting

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

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

E. Cash and Investments

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

During fiscal year 2014, investments were limited to STAR Ohio. The State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2014.

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 Classroom Facilities Maintenance special revenue fund, the Permanent Fund, and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$8,528, of which \$3,810 was assigned from other District funds.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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. See Note 20 for additional information regarding set asides.

H. Capital Assets

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

M. Fund Balance

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

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
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converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

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

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

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

N. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position 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 positions are available. The net position held in trust for scholarships signify the legal restrictions on the use of principal.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

O. Deferred Amount (Loss) on Refunding

The difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss amortized over the remaining life of the old or new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

P. Bond Premiums

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 general obligation bonds payable. On fund financial statements, bond premiums are received in the year the bonds are issued.

Q. Estimates

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

Note 3 – Change in Accounting Principles

For fiscal year 2014, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”, Statement No. 67, “Financial Reporting for Pension Plans”, and Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees.”

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

GASB Statement No. 67 establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses/expenditures. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 4 – Accountability

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

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Food Service	\$28,144
Other Grants	7
Race to the Top	851
Title I-A School Improvement	4,258
Title I	27,256
Miscellaneous Federal Grants	10,372

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

Note 5 – Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balances (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. *Certain funds have legally separate adopted budgets (budget) but are included in the General Fund (GAAP).

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

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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	\$489,689
Net Adjustment for Revenue Accruals	(192,027)
Advances In	57,205
Net Adjustment of Funds Budgeted as Special Revenue	10,126
Net Adjustment for Expenditure Accruals	(36,459)
Advances Out	(6,189)
Adjustment for Encumbrances	<u>(72,146)</u>
Budget Basis	<u><u>\$250,199</u></u>

Note 6 – Cash and Investments

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

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

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

Interim 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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For the Fiscal Year Ended June 30, 2014

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 provided that investments in securities described in this division are made through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

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

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 \$8,120,776, and \$2,482,494 of the School District's bank balance of \$8,142,035 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Jefferson Area Local School District
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*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014*

Investments

As of June 30, 2014, the District had the following investment. All investments are in an internal investment pool.

	Fair Value	Maturity
STAR Ohio	\$27	Six Months or Less

Interest Rate Risk The School District has no investment policy that addresses 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.

Credit Risk The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 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 amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2014:

Investment	Percentage of Investment
STAR Ohio	100.00%

C - Reconciliation of Cash and Investment to the Statement of Net Position

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

<u>Cash and Investments per Note Disclosure</u>		<u>Cash and Investments per Statements of Net Position</u>	
Carrying amount of deposits	\$8,120,776	Governmental Activities	\$8,049,874
Investments	27	Private-purpose trust funds	41,388
		Agency funds	29,541
Total	\$8,120,803	Total	\$8,120,803

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 7 – Receivables

Receivables at June 30, 2014 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:

Non-major Governmental Funds:	
Career Development Grant	\$1,924
Race to the Top Grant	1,125
Title I-A School Improvement	35,391
Title I Grant	<u>30,348</u>
Total Intergovernmental Receivable	<u><u>\$68,788</u></u>

Note 8 – Property Tax

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

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax revenue received in calendar 2014 represent collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected 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.

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, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

The amount available as an advance at June 30, 2014 was \$699,536 in the general fund, \$186,014 in the bond retirement debt service fund, \$48,384 in the permanent improvement capital projects fund and \$13,488 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2013, was \$663,138 in the general fund, \$183,952 in the bond retirement debt service fund, \$45,726 in the permanent improvement capital projects fund and \$13,658 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 reported as deferred inflows of resources – unavailable revenue.

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

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$228,012,870	96.0%	\$228,154,500	95.7%
Public Utility Personal	9,491,340	4.0%	10,253,870	4.3%
	\$237,504,210	100.0%	\$238,408,370	100.0%
Tax Rate per \$1,000 of assessed valuation	\$52.73		\$52.73	

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 9 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental	Total
<i>Nonspendable</i>					
Inventory	\$0	\$0	\$0	\$11,704	\$11,704
Unclaimed Funds	1,267	0	0	0	1,267
Permanent Fund Principal	0	0	0	1,043	1,043
<i>Total Nonspendable</i>	<u>1,267</u>	<u>0</u>	<u>0</u>	<u>12,747</u>	<u>14,014</u>
<i>Restricted for</i>					
College Scholarships	0	0	0	196	196
Classroom Maintenance	0	0	0	557,307	557,307
Athletics & Music	0	0	0	75,486	75,486
Debt Service Payments	0	1,683,018	0	0	1,683,018
Capital Improvements	0	0	0	990,666	990,666
<i>Total Restricted</i>	<u>0</u>	<u>1,683,018</u>	<u>0</u>	<u>1,623,655</u>	<u>3,306,673</u>
<i>Committed to</i>					
Capital Improvements	0	0	1,343,410	0	1,343,410
<i>Assigned to</i>					
Other Purposes	93,656	0	0	0	93,656
Encumbrances	47,496	0	0	0	47,496
<i>Total Assigned</i>	<u>141,152</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>141,152</u>
<i>Unassigned (Deficit)</i>	<u>2,087,072</u>	<u>0</u>	<u>0</u>	<u>(82,592)</u>	<u>2,004,480</u>
<i>Total Fund Balances</i>	<u>\$2,229,491</u>	<u>\$1,683,018</u>	<u>\$1,343,410</u>	<u>\$1,553,810</u>	<u>\$6,809,729</u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 – Capital Assets

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

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$540,800	\$0	\$0	\$540,800
Construction in Progress	2,775,280	3,246,949	0	6,022,229
<i>Total Capital Assets, not being depreciated:</i>	<u>3,316,080</u>	<u>3,246,949</u>	<u>0</u>	<u>6,563,029</u>
<i>Capital Assets, being depreciated:</i>				
Land Improvements	4,519,427	0	0	4,519,427
Buildings and Improvements	51,468,280	33,403	0	51,501,683
Furniture, Equipment and Fixtures	1,655,209	90,312	0	1,745,521
Vehicles	1,542,719	0	(155,085)	1,387,634
<i>Total Capital Assets, being depreciated:</i>	<u>59,185,635</u>	<u>123,715</u>	<u>(155,085)</u>	<u>59,154,265</u>
Less Accumulated Depreciation:				
Land Improvements	(773,826)	(225,971)	0	(999,797)
Buildings and Improvements	(5,153,317)	(1,276,026)	0	(6,429,343)
Furniture, Equipment and Fixtures	(751,369)	(121,761)	0	(873,130)
Vehicles	(1,282,534)	(81,379)	155,085	(1,208,828)
<i>Total Accumulated Depreciation</i>	<u>(7,961,046)</u>	<u>(1,705,137)</u>	<u>155,085</u>	<u>(9,511,098)</u>
<i>Total Capital Assets being depreciated, net</i>	<u>51,224,589</u>	<u>(1,581,422)</u>	<u>0</u>	<u>49,643,167</u>
Governmental Activities Capital Assets, Net	<u><u>\$54,540,669</u></u>	<u><u>\$1,665,527</u></u>	<u><u>\$0</u></u>	<u><u>\$56,206,196</u></u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,352,645
Support Services:	
Instructional Staff	3,575
Administration	31,353
Operation and Maintenance of Plant	11,740
Pupil Transportation	92,452
Operation of Food Services	19,917
Extracurricular Activities	193,455
Total Depreciation Expense	<u><u>\$1,705,137</u></u>

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 11 – Interfund Activity

A. Interfund Transfers

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

Transfers To	Transfers From
	General
<i>Nonmajor Governmental Fund:</i>	
Permanent Improvement Fund	\$270,000
Food Service Fund	82,870
Total	\$352,870

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, 2014, as reported on the fund financial statements:

	Interfund Receivable	Interfund Payable
<i>Major Governmental Fund:</i>		
General	\$6,189	\$0
<i>Non-major Governmental Fund:</i>		
Other Grants Fund	0	1,931
Title I-A School Improvement	0	4,258
	\$6,189	\$6,189

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.

Note 12 – Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2014, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 13 - Defined Benefit Pension Plans

A - School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 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, 2014, 2013 and 2012 were \$254,640, \$260,855 and \$285,095, respectively. For fiscal year 2014, 36 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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B - State Teachers Retirement System

Plan Description - 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 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 plans. 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 transfer to the DB Plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

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

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

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

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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 were increased by three percent of the original base amount for DB 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. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013 until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The District was required to contribute 14 percent, 13 percent was the portion used to fund pension obligations.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$780,570, \$815,500 and \$917,246, respectively; 78 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$36,723 made by the School District and \$28,854 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* are available sometime after December 31, 2013.

Additional information or copies of STRS Ohio's 2013 *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.

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Notes to the Basic Financial Statements
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Note 14 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan – The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is 0.76 percent. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$14,773, \$14,735 and \$16,836, respectively, which equaled the required contributions each year.

Health Care Plan – ORC 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' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. 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, 2014, 2013, and 2012 were \$35,082, \$36,401 and \$47,351, respectively; 36 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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. That report can be obtained on SERS' website at www.ohsers.org, under *Employers/Audit Resources*.

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Notes to the Basic Financial Statements
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B. State Teachers Retirement System

Plan Description - STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issued as stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013 and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$60,044, \$62,731 and \$70,557, respectively; 78 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

Note 15 – Risk Management

A. Comprehensive

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

General liability insurance is maintained in the amount of \$15,000,000 for each occurrence and \$17,000,000 in the aggregate.

The District maintains fleet insurance in the amount of \$15,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$71,335,787 and \$50,000,000 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.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. Employee Medical Benefits

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

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling 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.

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Note 16 – Long-Term Obligations

A summary of changes in long-term obligations for the year ended June 30, 2014, are as follows:

Governmental-Type Activities	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts due in One Year
General Obligation Bonds					
<i>2012 Ohio School Facilities Refunding Bonds:</i>					
Current Interest Serial Bonds	\$6,885,000	\$0	\$0	\$6,885,000	\$0
Current Interest Term Bonds	1,480,000	0	0	1,480,000	0
Unamortized Premium	1,332,163	0	72,009	1,260,154	0
Capital Appreciation Bonds	75,000	0	0	75,000	0
Accretion on Capital Appreciation Bonds	24,222	42,989	0	67,211	0
Total 2012 Refunding Bonds	9,796,385	42,989	72,009	9,767,365	0
<i>2013 Ohio School Facilities Refunding Bonds:</i>					
Current Interest Serial Bonds	7,065,000	0	260,000	6,805,000	185,000
Unamortized Premium	1,027,679	0	71,699	955,980	0
Capital Appreciation Bonds	820,000	0	0	820,000	0
Accretion on Capital Appreciation Bonds	14,280	147,447	0	161,727	0
Total 2013 Refunding Bonds	8,926,959	147,447	331,699	8,742,707	185,000
<i>2006 Ohio School Facilities Bonds:</i>					
Current Interest Serial Bonds	1,195,000	0	585,000	610,000	610,000
Total General Obligation Bonds	19,918,344	190,436	988,708	19,120,072	795,000
Other Long-Term Obligations:					
Lease Purchase Agreement-Facilities Imp.	3,091,015	0	215,645	2,875,370	222,492
Lease Purchase Agreement-Copiers	0	90,312	0	90,312	12,247
Compensated Absences	755,717	38,323	40,070	753,970	57,653
Total Other Long-Term Obligations	3,846,732	128,635	255,715	3,719,652	292,392
Total Long-Term Obligations	\$23,765,076	\$319,071	\$1,244,423	\$22,839,724	\$1,087,392

On August 21, 2012, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$8,585,000 (par value) with interest rates ranging from 2.0 percent to 3.0 percent to advance refund \$7,300,000 of the 2006 Classroom Facilities Improvement Bonds with rates ranging from 3.0 percent to 5.0 percent. The term bonds mature 12/1/2028 and are callable 12/1/2022. The refunding bonds were issued at a premium of \$1,392,170 and, after paying issuance costs of \$170,379, the net proceeds were \$9,806,791. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on 12/1/2022. The advance refunding met the requirements of an in-substance debt defeasance and all but \$9,170,000 of the 2006 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) for the District.

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The 2012 classroom facilities improvement refunding bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$42,989 represents the accretion of discounted interest.

On April 24, 2013, the District issued Classroom Facilities Improvement Advance Refunding Bonds in the amount of \$7,885,000 (par value) with interest rates ranging from 2.0 percent to 3.0 percent to advance refund \$9,170,000 of the 2006 Classroom Facilities Improvement Bonds with rates ranging from 3.0 percent to 5.0 percent. The refunding bonds were issued at a premium of \$1,039,629 and, after paying issuance costs of \$150,835, the net proceeds were \$8,773,794. The net proceeds from the issuance of the bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called on 6/1/2015. The advance refunding met the requirements of an in-substance debt defeasance and all but \$1,195,000 of the 2006 Classroom Facilities Improvement Bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$733,197, which resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$625,277 for the District.

The 2013 classroom facilities improvement refunding bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$147,447 represents the accretion of discounted interest.

On August 10, 2005, the District issued \$20,949,979 in classroom facilities bonds for the construction of new schools. All but \$1,195,000 of these bonds were advance refunded during fiscal year 2013. The non-refunded portion of these bonds will mature on December 1, 2014 and will be paid using tax revenue from the debt service fund.

The District issued a Lease Purchase Agreement in the amount of \$3,091,015 on March 1, 2013 for the purpose of helping to finance the cost of the District's roof replacement project. The lease purchase agreement matures on March 1, 2025 and has an average interest rate of 3.15 percent.

The District issued a Lease Purchase Agreement in the amount of \$90,312 on June 2, 2014 for the purpose of purchasing twelve new copiers. The lease purchase agreement matures on August 1, 2019 and has an average interest rate of 3.15 percent.

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

The School District's overall legal debt margin was \$6,464,771 with an unvoted debt margin of \$214,568 at June 30, 2014.

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Principal and interest requirements to retire general obligation debt and long-term leases outstanding at June 30, 2014, are as follows:

Fiscal Year Ending June 30,	2012 School Facilities Refunding Bonds					
	Term & Serial Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$0	\$232,035	\$232,035	\$0	\$0	\$0
2016	0	232,035	232,035	0	0	0
2017	0	232,035	232,035	0	0	0
2018	0	232,035	232,035	0	0	0
2019	35,000	231,685	266,685	0	0	0
2020 - 2024	460,000	1,122,475	1,582,475	75,000	1,710,000	1,785,000
2025 - 2029	3,775,000	830,811	4,605,811	0	0	0
2030 - 2032	4,095,000	185,350	4,280,350	0	0	0
Total	\$8,365,000	\$3,298,461	\$11,663,461	\$75,000	\$1,710,000	\$1,785,000

Fiscal Year Ending June 30,	2013 School Facilities Refunding Bonds					
	Serial Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$185,000	\$175,737	\$360,737	\$0	\$0	\$0
2016	125,000	173,060	298,060	450,000	265,000	715,000
2017	835,000	166,385	1,001,385	0	0	0
2018	850,000	152,630	1,002,630	0	0	0
2019	870,000	131,250	1,001,250	0	0	0
2020 - 2024	1,700,000	540,450	2,240,450	370,000	615,000	985,000
2025 - 2028	2,240,000	202,350	2,442,350	0	0	0
Total	\$6,805,000	\$1,541,862	\$8,346,862	\$820,000	\$880,000	\$1,700,000

Fiscal Year Ending June 30,	General Obligation Bonds					
	2006 School Facilities Bonds			Lease Purchase Agreements		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$610,000	\$24,400	\$634,400	\$234,739	\$91,857	\$326,596
2016	0	0	0	246,562	85,123	331,685
2017	0	0	0	254,659	77,026	331,685
2018	0	0	0	263,025	68,661	331,686
2019	0	0	0	271,669	60,015	331,684
2020 - 2024	0	0	0	1,390,903	163,692	1,554,595
2025 - 2028	0	0	0	304,125	14,333	318,458
Total	\$610,000	\$24,400	\$634,400	\$2,965,682	\$560,707	\$3,526,389

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Notes to the Basic Financial Statements
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Note 17 – Jointly Governed Organizations

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2014. 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.

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 2014. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Note 18 – Insurance Purchasing Pool

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

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Notes to the Basic Financial Statements
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Note 19 – Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement 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, 2014.

B. Litigation

The District is not currently party to any legal proceedings in which it is a defendant at June 30, 2014. The District is however, pursuing damages for construction work on the roofs of its new school buildings. See the subsequent event note, note 22, for more details.

Note 20 – Set Asides

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

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

	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2013	\$0
Current Year Set-Aside Requirement	319,248
Qualifying Disbursements	(4,386,398)
Current year offsets	<u>(535,372)</u>
Total	<u><u>(\$4,602,522)</u></u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u><u>\$0</u></u>

Although the 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.

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For the Fiscal Year Ended June 30, 2014

Note 21 – Operating Lease

The District entered into a lease for copy machines commencing October 2009 for 60 months. Total expenditures on this lease for the fiscal year ended June 30, 2014 were \$19,644. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2015	<u>\$ 4,911</u>

Note 22 – Subsequent Event

The District was pursuing damages for construction work on the roofs of its new school buildings and on October 24, 2014 reached a settlement agreement that will pay the District \$1,818,000. The agreement also releases the District of a contract balance of \$282,000.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	2014	10.553	\$76,890	\$0	\$76,890	\$0
National School Lunch Program	2014	10.555	312,118		312,118	
Food Distribution	2014	10.555		40,927		40,927
Total -- Nutrition Cluster			389,008	40,927	389,008	40,927
Total U.S. Department of Agriculture			389,008	40,927	389,008	40,927
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Title One Cluster:</i>						
<i>Grants to Local Educational Agencies</i>						
Title I School Subsidy	C1-S1-2013	84.010	39,110		42,807	
	C1-S1-2014		274,079		271,728	
School Improvement	C1-S1-2113	84.389	6,881		6,881	
	C1-S1-2114		45,502		49,760	
Total -- Title I Cluster			365,572		371,176	
Title II, Part A -- Improving Teacher Quality	TR-S1-2013	84.367	8,900		8,900	
	TR-S1-2014		69,302		66,381	
Total - Title II Part A			78,202		75,281	
Race-to-the-Top Incentive Grants	2013	84.395	928		1,983	
	2014		62,628		62,592	
Total - Race to the Top Incentive Grant			63,556		64,575	
Total -- U.S. Department of Education			507,330		511,032	
Totals			\$896,338	\$40,927	\$900,040	\$40,927

The accompanying notes to this schedule are an integral part of this schedule.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jefferson Area Local School District
Ashtabula County
121 S. Popular Street
Jefferson, Ohio 44047

To The Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District, Ashtabula County, (the School District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 12, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Jefferson Area Local School District
Ashtabula County
121 S. Popular Street
Jefferson, Ohio 44047

To The Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Jefferson Area Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Jefferson Area Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State
Columbus, Ohio

January 12, 2014

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list): Nutrition Cluster Title II A Teacher Quality	CFDA Number: 10.553 and 10.555 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**JEFFERSON AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	All Capital Assets reports were not updated for District's additions and deletions.	Yes	Finding No Longer Valid



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JEFFERSON AREA LOCAL SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 27, 2015**