

Jefferson Area Local School District

**Basic Financial Statements
June 30, 2008**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Jefferson Area Local School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 21, 2010

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Jefferson Area Local School District

For The Year Ended June 30, 2008

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Jefferson Area Local School District

For The Year Ended June 30, 2008

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Independent Auditors' Report

Board of Education
Jefferson Area City School District
Jefferson, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 19, during the year ended June 30, 2008, the District implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* and GASB Statement No. 50, *Pension Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education
Jefferson Area City School District

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Cini & Panichi, Inc.

Cleveland, Ohio
July 29, 2010

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Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- In total, net assets increased by \$20,061,126, which represents an increase of over 79 percent from fiscal year 2007.
- Revenues for governmental activities totaled \$38,451,676 in fiscal year 2008. Of this total, 95.4 percent consisted of general revenues while program revenues accounted for the balance of 4.6 percent.
- Program expenses totaled \$18,390,550. Instructional expenses made up 53.3 percent of this total while support services accounted for 34.7 percent. Other expenses rounded out the remaining 12.0 percent.
- The District's major governmental funds are the general fund and the building and classroom facilities capital projects funds. The general fund had \$15,640,062 in revenues and \$15,642,038 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$93,342 from \$3,510,852 to \$3,417,510.
- The District's other major governmental funds are the building and classroom facilities capital projects funds. The building fund had \$237,755 in revenues and \$110,231 in expenditures. The building fund balance increased \$127,524 during fiscal year 2008. The classroom facilities fund had \$13,797,578 in revenues and \$17,877,271 in expenditures. The classroom facilities fund balance decreased \$4,079,693 during fiscal year 2008.

Using this Annual Financial Report

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

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

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2008?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

Table 1
Net Assets
Governmental Activities

	2008	2007	Change
Assets			
Current and Other Assets	\$45,056,447	\$42,351,511	\$2,704,936
Capital Assets	29,300,017	11,653,806	17,646,211
<i>Total Assets</i>	<u>74,356,464</u>	<u>54,005,317</u>	<u>20,351,147</u>
Liabilities			
Current Liabilities	6,608,549	5,832,750	775,799
Long-Term Liabilities			
Due within One Year	488,732	566,109	(77,377)
Due in More than One Year	21,901,985	22,310,386	(408,401)
<i>Total Liabilities</i>	<u>28,999,266</u>	<u>28,709,245</u>	<u>290,021</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	8,341,269	4,110,530	4,230,739
Restricted	35,379,934	19,370,910	16,009,024
Unrestricted	1,635,995	1,814,632	(178,637)
<i>Total Net Assets</i>	<u>\$45,357,198</u>	<u>\$25,296,072</u>	<u>\$20,061,126</u>

Total assets increased by \$20,351,147. The majority of this increase can be attributed to an increase in capital assets due to the construction in progress on the District's new school buildings.

Total liabilities increased by \$290,021. The majority of this increase was due to increases in accounts payable and retainage payable related to the District's construction project.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$20,061,126.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$36,701,631 or 95.4 percent of the total revenue. The most significant portion of general revenue for fiscal year 2008 was grants received from the Ohio School Facilities Commission, followed by property taxes. The amount of revenue received in the form of program revenues was \$1,750,045.

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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Table 2 shows the changes in net assets for fiscal year 2008.

Table 2
Change in Net Assets
Governmental Activities

	2008	2007	Change
Revenues			
Program Revenues			
Charges for Services and Sales	\$1,005,410	\$966,992	\$38,418
Operating Grants and Contributions	744,635	851,829	(107,194)
Capital Grants and Contributions	0	7,092	(7,092)
<i>Total Program Revenues</i>	<u>1,750,045</u>	<u>1,825,913</u>	<u>(75,868)</u>
General Revenues			
Property Taxes	7,404,539	8,036,641	(632,102)
Intergovernmental	27,774,927	8,272,794	19,502,133
Investment Earnings	1,260,656	1,562,565	(301,909)
Miscellaneous	261,509	403,190	(141,681)
<i>Total General Revenues</i>	<u>36,701,631</u>	<u>18,275,190</u>	<u>18,426,441</u>
<i>Total Revenues</i>	<u>38,451,676</u>	<u>20,101,103</u>	<u>18,350,573</u>
Program Expenses			
Current:			
Instruction	9,796,705	9,818,455	(21,750)
Support Services:			
Pupils	1,434,494	1,540,487	(105,993)
Instructional Staff	118,304	107,102	11,202
Board of Education	18,359	15,346	3,013
Administration	998,870	1,148,672	(149,802)
Fiscal	657,272	543,439	113,833
Business	12,256	10,162	2,094
Operation and Maintenance of Plant	1,791,903	1,767,382	24,521
Pupil Transportation	1,280,732	1,376,611	(95,879)
Central	65,572	85,753	(20,181)
Operation of Non-Instructional Services	103,827	122,963	(19,136)
Operation of Food Services	736,664	704,102	32,562
Extracurricular Activities	431,745	344,679	87,066
Interest and Fiscal Charges	943,847	958,252	(14,405)
<i>Total Program Expenses</i>	<u>18,390,550</u>	<u>18,543,405</u>	<u>(152,855)</u>
<i>Increase in Net Assets</i>	20,061,126	1,557,698	18,503,428
Net Assets Beginning of Year	25,296,072	23,738,374	1,557,698
<i>Net Assets End of Year</i>	<u>\$45,357,198</u>	<u>\$25,296,072</u>	<u>\$20,061,126</u>

Jefferson Area Local School District
Ashtabula County, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Governmental Activities

Net assets of the District's governmental activities increased \$20,061,126. Total governmental expenses of \$18,390,550 were offset by program revenues of \$1,750,045 and general revenues of \$36,701,631. Program revenues supported 9.5 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 91.5 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$9,796,705 or 53.3 percent of total governmental expenses for fiscal year 2008.

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

	2008		2007	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$8,331,299	\$7,878,031	\$8,144,301	\$7,674,148
Special	1,326,729	1,100,810	1,507,079	1,225,688
Vocational	138,677	133,817	167,075	161,730
Support Services:				
Pupils	1,434,494	1,373,576	1,540,487	1,487,001
Instructional Staff	118,304	90,041	107,102	62,150
Board of Education	18,359	17,715	15,346	14,854
Administration	998,870	957,524	1,148,672	1,092,500
Fiscal	657,272	635,530	543,439	527,121
Business	12,256	11,826	10,162	9,837
Operation and Maintenance of Plant	1,791,903	1,739,259	1,767,382	1,720,949
Pupil Transportation	1,280,732	1,241,479	1,376,611	1,342,677
Central	65,572	51,587	85,753	74,437
Operation of Non-Instructional Services	103,827	70,302	122,963	80,657
Food Service Operation	736,664	30,953	704,102	(1,661)
Extracurricular Activities	431,745	364,208	344,679	287,152
Interest and Fiscal Charges	943,847	943,847	958,252	958,252
<i>Total Expenditures</i>	<u>\$18,390,550</u>	<u>\$16,640,505</u>	<u>\$18,543,405</u>	<u>\$16,717,492</u>

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 75 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, 2008
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 \$32,840,098 to offset expenditures, excluding other financing uses, of \$36,517,240. The net change in fund balance for the year was most significant in the classroom facilities capital projects fund, which decreased \$4,079,693. 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 71 percent and 21 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 2008, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$15,289,820. Actual revenues for fiscal year 2008 were \$15,771,942. This represents an increase of \$482,122 over original and final budgeted revenues.

General fund original appropriations were \$15,778,410 and final appropriations were \$15,993,114. The actual budget basis expenditures for fiscal year 2008 totaled \$15,458,929, which was \$534,185 lower than final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$29,300,017 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007:

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

	2008	2007
Land	\$831,301	\$831,301
Construction in Progress	24,891,229	6,863,682
Land Improvements	225,194	246,804
Buildings and Improvements	1,999,120	2,256,651
Furniture and Equipment	425,808	533,294
Vehicles	927,365	922,074
<i>Total</i>	<u>\$29,300,017</u>	<u>\$11,653,806</u>

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

All capital assets, except land and construction in progress, are reported net of depreciation. The overall increase in capital assets of \$17,646,211 is due to District's construction in progress on its two new school buildings. Depreciation expense of \$421,311 only partially offset capital outlays of \$18,083,397 during the fiscal year, resulting in the overall increase in capital assets. For more information about the School District's capital assets, see Note 8 to the basic financial statements.

Debt

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

Table 5
Outstanding Debt at Year End

	<u>2008</u>	<u>2007</u>
Ohio School Facilities Bonds	\$19,991,277	\$20,411,047
Capital Appreciation Bonds	689,979	689,979
Accretion on Capital Appreciation Bonds	153,465	97,124
1991 Asbestos Removal Note	0	5,643
1998 Energy Conservation Note	245,000	290,000
Bus Purchase Loan	32,492	93,450
<i>Total</i>	<u>\$21,112,213</u>	<u>\$21,587,243</u>

Of the total outstanding debt, \$467,492 is due within one year and the rest is due within more than one year. For more information about the School District's debt, see Note 14 to the basic financial statements.

Current Financial Issues

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

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

Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

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

Contacting the School District's Financial Management

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

Jefferson Area Local School District

Ashtabula County, Ohio

Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$31,133,905
Accounts Receivable	1,477
Intergovernmental Receivable	5,953,530
Property Taxes Receivable	7,737,608
Inventory Held for Resale	7,416
Materials and Supplies Inventory	6,898
Unamortized Bond Issuance Costs	208,193
Due from Other Funds	7,420
Nondepreciable Capital Assets	25,722,530
Depreciable Capital Assets, Net	3,577,487
<i>Total Assets</i>	<u>74,356,464</u>
Liabilities	
Accounts Payable	811,086
Accrued Wages and Benefits Payable	1,550,419
Retainage Payable	377,811
Intergovernmental Payable	442,563
Matured Compensated Absences Payable	58,888
Accrued Interest Payable	76,655
Deferred Revenue	3,291,127
Long-Term Liabilities:	
Due Within One Year	488,732
Due In More Than One Year	21,901,985
<i>Total Liabilities</i>	<u>28,999,266</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	8,341,269
Restricted for:	
Capital Projects	31,658,682
Debt Service	2,102,231
Other Purposes	635,985
Set-asides	981,798
Scholarships	1,238
Unrestricted	1,635,995
<i>Total Net Assets</i>	<u>\$45,357,198</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, 2008

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Current:					
Instruction:					
Regular	\$8,331,299	\$311,349	\$141,919	\$0	(\$7,878,031)
Special	1,326,729	38,898	187,021	0	(1,100,810)
Vocational	138,677	4,860	0	0	(133,817)
Support Services:					
Pupils	1,434,494	50,861	10,057	0	(1,373,576)
Instructional Staff	118,304	17,747	10,516	0	(90,041)
Board of Education	18,359	644	0	0	(17,715)
Administration	998,870	34,543	6,803	0	(957,524)
Fiscal	657,272	21,742	0	0	(635,530)
Business	12,256	430	0	0	(11,826)
Operation and Maintenance of Plant	1,791,903	52,644	0	0	(1,739,259)
Pupil Transportation	1,280,732	39,253	0	0	(1,241,479)
Central	65,572	1,985	12,000	0	(51,587)
Operation of Non-Instructional Services	103,827	24,885	8,640	0	(70,302)
Operation of Food Services	736,664	338,058	367,653	0	(30,953)
Extracurricular Activities	431,745	67,511	26	0	(364,208)
Interest and Fiscal Charges	943,847	0	0	0	(943,847)
<i>Total Governmental Activities</i>	<u>\$18,390,550</u>	<u>\$1,005,410</u>	<u>\$744,635</u>	<u>\$0</u>	<u>(16,640,505)</u>
General Revenues					
Property Taxes Levied for:					
					5,467,736
					1,477,502
					295,247
					164,054
					27,774,927
					1,260,656
					261,509
					<u>36,701,631</u>
					20,061,126
					25,296,072
					<u>\$45,357,198</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Balance Sheet
Governmental Funds
June 30, 2008

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$2,301,536	\$13,693,395	\$12,369,603	\$1,787,573	\$30,152,107
Accounts Receivable	1,477	0	0	0	1,477
Interfund Receivable	55,432	0	0	0	55,432
Intergovernmental Receivable	0	0	5,887,586	65,944	5,953,530
Property Taxes Receivable	5,661,642	0	0	2,075,966	7,737,608
Inventory Held for Resale	0	0	0	7,416	7,416
Materials and Supplies Inventory	0	0	0	6,898	6,898
Due from Other Funds	0	0	0	7,420	7,420
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	981,798	0	0	0	981,798
Total Assets	\$9,001,885	\$13,693,395	\$18,257,189	\$3,951,217	\$44,903,686
Liabilities					
Accounts Payable	\$72,188	\$51,281	\$663,405	\$24,212	\$811,086
Accrued Wages and Benefits Payable	1,457,184	0	0	93,235	1,550,419
Retainage Payable	0	14,344	363,467	0	377,811
Intergovernmental Payable	407,201	0	0	35,362	442,563
Matured Compensated Absences Payable	58,888	0	0	0	58,888
Interfund Payable	0	0	0	55,432	55,432
Deferred Revenue	3,588,914	0	5,887,586	657,634	10,134,134
Total Liabilities	5,584,375	65,625	6,914,458	865,875	13,430,333
Fund Balances					
Reserved for Encumbrances	280,765	7,671,052	13,312,621	19,117	21,283,555
Reserved for Textbooks	966,803	0	0	0	966,803
Reserved for Bus Purchases	13,073	0	0	0	13,073
Reserved for Budget Stabilization	1,922	0	0	0	1,922
Reserved for Property Taxes	2,072,728	0	0	1,441,657	3,514,385
Unreserved:					
Designated for:					
Scholarships	0	0	0	1,043	1,043
Undesignated, Reported in:					
General Fund	82,219	0	0	0	82,219
Special Revenue Funds	0	0	0	587,186	587,186
Debt Service Funds	0	0	0	594,271	594,271
Capital Projects Funds	0	5,956,718	(1,969,890)	441,873	4,428,701
Permanent Fund	0	0	0	195	195
Total Fund Balances	3,417,510	13,627,770	11,342,731	3,085,342	31,473,353
Total Liabilities and Fund Balances	\$9,001,885	\$13,693,395	\$18,257,189	\$3,951,217	\$44,903,686

See accompanying notes to the basic financial statements

Jefferson Area Local School District

Ashtabula County, Ohio

*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008*

Total Governmental Fund Balances	\$31,473,353
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***Amounts reported for governmental activities in the
statement of net assets are different because***

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	29,300,017
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Property Taxes	932,096
School Facilities Monies	5,887,586
Intergovernmental Revenue	<u>23,325</u>

Total	6,843,007
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In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	208,193
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(76,655)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Classroom Facilities Bonds	(19,060,000)
Premium on Bonds Issued	(931,277)
Capital Appreciation Bonds	(689,979)
Accretion on Capital Appreciation Bond	(153,465)
Long-Term Notes	(245,000)
Long-Term Loans	(32,492)
Compensated Absences	<u>(1,278,504)</u>

Total	<u>(22,390,717)</u>
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<i>Net Assets of Governmental Activities</i>	<u><u>\$45,357,198</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, 2008

	General	Building Fund	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$5,206,896	\$0	\$0	\$1,672,530	\$6,879,426
Tuition and Fees	549,048	0	0	27,516	576,564
Interest	126,409	237,755	860,356	36,136	1,260,656
Charges for Services	0	0	0	338,058	338,058
Extracurricular Activities	0	0	0	90,788	90,788
Rentals	0	0	0	8,000	8,000
Intergovernmental	9,504,885	0	12,933,451	986,761	23,425,097
Miscellaneous	252,824	0	3,771	4,914	261,509
<i>Total Revenues</i>	<u>15,640,062</u>	<u>237,755</u>	<u>13,797,578</u>	<u>3,164,703</u>	<u>32,840,098</u>
Expenditures					
Current:					
Instruction:					
Regular	7,996,861	0	0	232,748	8,229,609
Special	1,101,474	0	0	224,332	1,325,806
Vocational	138,493	0	0	0	138,493
Support Services:					
Pupils	1,447,587	0	292	14,646	1,462,525
Instructional Staff	94,563	0	0	23,217	117,780
Board of Education	18,359	0	0	0	18,359
Administration	1,017,085	0	0	14,117	1,031,202
Fiscal	625,421	0	0	37,722	663,143
Business	12,256	0	0	0	12,256
Operation and Maintenance of Plant	1,565,049	0	0	94,216	1,659,265
Pupil Transportation	1,119,817	0	0	14,001	1,133,818
Central	56,572	0	0	9,000	65,572
Operation of Non-Instructional Services	71,377	0	0	31,546	102,923
Operation of Food Services	0	0	0	730,933	730,933
Extracurricular Activities	377,124	0	0	50,094	427,218
Capital Outlay	0	110,231	17,876,979	0	17,987,210
Debt Service:					
Principal Retirement	0	0	0	491,601	491,601
Interest and Fiscal Charges	0	0	0	919,527	919,527
<i>Total Expenditures</i>	<u>15,642,038</u>	<u>110,231</u>	<u>17,877,271</u>	<u>2,887,700</u>	<u>36,517,240</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,976)</u>	<u>127,524</u>	<u>(4,079,693)</u>	<u>277,003</u>	<u>(3,677,142)</u>
Other Financing Sources (Uses)					
Proceeds from Sale of Capital Assets	0	0	0	2,450	2,450
Transfers In	0	0	0	91,366	91,366
Transfers Out	(91,366)	0	0	0	(91,366)
<i>Total Other Financing Sources (Uses)</i>	<u>(91,366)</u>	<u>0</u>	<u>0</u>	<u>93,816</u>	<u>2,450</u>
<i>Net Change in Fund Balances</i>	<u>(93,342)</u>	<u>127,524</u>	<u>(4,079,693)</u>	<u>370,819</u>	<u>(3,674,692)</u>
<i>Fund Balances Beginning of Year</i>	3,510,852	13,500,246	15,422,424	2,714,523	35,148,045
<i>Fund Balances End of Year</i>	<u>\$3,417,510</u>	<u>\$13,627,770</u>	<u>\$11,342,731</u>	<u>\$3,085,342</u>	<u>\$31,473,353</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$3,674,692)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	18,083,397	
Current Year Depreciation	(421,311)	
Total		17,662,086

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

Assets Disposed	(47,606)	
Accumulated Depreciation on Disposals	31,731	
Total		(15,875)

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

Property Taxes	525,113	
School Facilities Monies	5,063,140	
Intergovernmental Revenue	23,325	
Total		5,611,578

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 491,601

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

Accrued Interest on Bonds	1,142	
Accreted Interest on Capital Appreciation Bonds	(56,341)	
Amortization of Bond Issuance Premium	39,770	
Amortization of Bond Issuance Costs	(8,891)	
Total		(24,320)

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 10,748

Change in Net Assets of Governmental Activities **\$20,061,126**

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, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$5,339,988	\$5,339,988	\$5,339,423	(\$565)
Tuition and Fees	492,131	492,131	549,048	56,917
Interest	98,343	98,343	126,409	28,066
Rentals	1,099	1,099	0	(1,099)
Intergovernmental	9,135,664	9,135,664	9,504,885	369,221
Miscellaneous	222,595	222,595	252,177	29,582
<i>Total Revenues</i>	<u>15,289,820</u>	<u>15,289,820</u>	<u>15,771,942</u>	<u>482,122</u>
Expenditures				
Current:				
Instruction:				
Regular	7,843,688	7,849,965	7,664,268	185,697
Special	1,128,000	1,216,254	1,150,717	65,537
Vocational	162,499	137,193	137,869	(676)
Support Services:				
Pupils	1,449,416	1,446,320	1,462,792	(16,472)
Instructional Staff	95,795	100,583	92,601	7,982
Board of Education	19,351	22,023	20,269	1,754
Administration	1,074,944	1,118,304	1,036,882	81,422
Fiscal	589,030	654,626	623,565	31,061
Business	17,982	17,982	12,905	5,077
Operation and Maintenance of Plant	1,706,413	1,727,923	1,634,925	92,998
Pupil Transportation	1,130,710	1,140,259	1,106,697	33,562
Central	104,786	105,386	76,662	28,724
Operation of Non-Instructional Services	65,802	66,302	65,230	1,072
Extracurricular Activities	371,594	371,594	373,547	(1,953)
Capital Outlay	18,400	18,400	0	18,400
<i>Total Expenditures</i>	<u>15,778,410</u>	<u>15,993,114</u>	<u>15,458,929</u>	<u>534,185</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(488,590)</u>	<u>(703,294)</u>	<u>313,013</u>	<u>1,016,307</u>
Other Financing Sources (Uses)				
Advances Out	0	(1,464)	(1,464)	0
Transfers Out	0	0	(91,366)	(91,366)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>(1,464)</u>	<u>(92,830)</u>	<u>(91,366)</u>
<i>Net Change in Fund Balance</i>	<u>(488,590)</u>	<u>(704,758)</u>	<u>220,183</u>	<u>924,941</u>
<i>Fund Balance Beginning of Year</i>	<u>2,447,087</u>	<u>2,447,087</u>	<u>2,447,087</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>306,693</u>	<u>306,693</u>	<u>306,693</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$2,265,190</u>	<u>\$2,049,022</u>	<u>\$2,973,963</u>	<u>\$924,941</u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$18,340</u>	<u>\$45,663</u>
Liabilities		
Due to Students	0	\$38,243
Due to Other Funds	<u>0</u>	<u>7,420</u>
<i>Total Liabilities</i>	<u>0</u>	<u>\$45,663</u>
Net Assets		
Held in Trust for Scholarships	<u>\$18,340</u>	

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County, Ohio

Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	<u>Scholarship</u>
Additions	
Interest	\$726
Contributions and Donations	<u>9,000</u>
<i>Total Additions</i>	9,726
Deductions	
Payments in Accordance with Trust Agreements	<u>2,200</u>
<i>Change in Net Assets</i>	7,526
<i>Net Assets Beginning of Year</i>	<u>10,814</u>
<i>Net Assets End of Year</i>	<u><u>\$18,340</u></u>

See accompanying notes to the basic financial statements

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 1 – Description of the School District and Reporting Entity

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

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

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

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

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

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

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

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

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 2 – Summary of Significant Accounting Policies

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

A. Fund Accounting

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

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

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

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

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

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

B. Basis of Presentation

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

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

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

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

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

C. Basis of Accounting

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

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

D. Budget and Budgetary Accounting

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

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

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

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

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

E. Cash and Investments

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

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, the Bond Retirement debt service fund, the Classroom Facilities Maintenance special revenue fund, the Permanent Fund, the Building and Classroom Facilities capital projects funds and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$126,409, which includes \$2,474 assigned from other District funds.

F. Inventories

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

G. Restricted Assets

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

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Interfund Activity

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

K. Compensated Absences

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

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For the Year Ended June 30, 2008

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

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

L. Accrued Liabilities and Long-term Obligations

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

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

M. Fund Balance Reserves

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

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

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$35,379,934, of which none is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

O. Bond Issuance Costs

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

P. Bond Premium

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

R. Estimates

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

Note 3 – Budgetary Basis of Accounting

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

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

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

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

	Net Change in Fund Balance	
GAAP Basis		(\$93,342)
Net Adjustment for Revenue Accruals		131,880
Advances Out		(1,464)
Net Adjustment for Expenditure Accruals		492,480
Adjustment for Encumbrances		<u>(309,371)</u>
Budget Basis		<u>\$220,183</u>

Note 4 – Accountability and Compliance

A. Accountability

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Emergency Management Information Systems Fund	\$1,656
Poverty Based Assistance	170
Title I	95,245
Improving Teacher Quality	9,638
Miscellaneous Federal Grants	4,235

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

B. Compliance

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

<u>Fund</u>	<u>Original</u>	<u>Final</u>
<i>Non-Major Funds:</i>		
Emergency Management Information Systems Fund	\$1,963	\$1,963
Ohio Reads Fund	12,301	12,301
Miscellaneous State Grants Fund	0	6,441
Title V Fund	0	16,506

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

Fund/Function/Object	Final Appropriations	Expenditures	Excess
General Fund			
Instruction:			
Vocational - Personal Services	\$57,918	\$58,568	\$650
Vocational - Other	79,275	79,301	26
Support Services:			
Pupil - Personal Services	944,097	972,328	28,231
Instructional Staff - Personal Services	61,014	66,583	5,569
Operation & Maintenance of Plant - Personal Services	965,444	970,093	4,649
Extracurricular Activities	371,594	373,547	1,953
Transfers Out	0	91,366	91,366
Miscellaneous State Grants Special Revenue Fund			
Instruction:			
Regular - Other	9,875	14,543	4,668
Support Services:			
Transfers Out	0	5,403	5,403
Title I Special Revenue Fund			
Instruction:			
Special - Personal Services	227,989	245,294	17,305
Support Services:			
Administration - Personal Services	3,660	4,618	958
Safe and Drug Free Schools Special Revenue Fund			
Instruction:			
Regular - Other	6,698	11,029	4,331
Improving Teacher Quality Special Revenue Fund			
Transfers Out	0	37,999	37,999
Debt Service Fund			
Other	1,372,139	1,374,169	2,030
Building Capital Projects Fund			
Capital Outlay - Other	10,324,134	17,547,354	7,223,220
Classroom Facilities Capital Projects Fund			
Capital Outlay - Other	10,604,645	31,409,460	20,804,815
Private Purpose Trust Fund - Scholarship			
Extracurricular Activities - Other	0	2,200	2,200

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 5 – Cash and Investments

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

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

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

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

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

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

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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 \$15,238,986, and \$16,969,365 of the School District's bank balance of \$17,070,365 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2008, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
Categorized Investments:		
Repurchase Agreements	\$ 1,231,786	Six Months or Less
Government & Agency Mutual Funds	5,635,283	Six Months or Less
Federal Home Loan Bank	3,510,145	Six Months or Less
Federal National Mortgage Association	1,581,043	Six Months or Less
Federal Home Loan Bank	4,000,665	Seven to Twelve Months
Total Investments	<u>\$15,958,922</u>	

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

Credit Risk The Federal Home Loan Bank bonds, the Federal National Mortgage Corporation bonds and the Federal Home Loan Mortgage Corporation notes all carry a rating of AAA by Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

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For the Year Ended June 30, 2008

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

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District's allocation as of June 30, 2008:

<u>Investment</u>	<u>Percentage of Investment</u>
Repurchase Agreements	7.72%
Government & Agency Mutual Funds	35.31%
Federal Home Loan Bank	47.06%
Federal National Mortgage Association	9.91%
Total	<u>100.00%</u>

Note 6 – Property Tax

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Ashtabula County. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$2,072,728 in the general fund, \$1,263,488 in the bond retirement debt service fund, \$112,494 in the permanent improvement capital projects fund and \$65,675 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2007 was \$2,205,255 in the general fund, \$1,294,076 in the bond retirement debt service fund, \$119,092 in the permanent improvement capital projects fund and \$66,447 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$213,205,260	89.3%	\$218,020,410	91.7%
Public Utility Personal	12,800,230	5.4%	7,465,760	3.1%
General Business Personal	12,867,830	5.3%	12,248,110	5.2%
	\$238,873,320	100.0%	\$237,734,280	100.0%
Tax Rate per \$1,000 of assessed valuation	\$54.73		\$54.73	

Note 7 – Receivables

Receivables at June 30, 2008 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.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

A summary of the principal items of Intergovernmental Receivables follows:

Major Governmental Funds:	
Ohio Schools Facilities Commission	\$5,887,586
Non-major Governmental Funds:	
Federal Lunchroom Subsidy	42,619
Reducing Class Size Grant	23,325
Total Intergovernmental Receivable	\$5,953,530

The School District entered into an agreement with the Ohio Schools Facilities Commission to construct three new school buildings and an auditorium. The State share receivable on the project as of June 30, 2008 is \$5,887,586.

Note 8 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$831,301	\$0	\$0	\$831,301
Construction in Progress	6,863,682	18,027,547	0	24,891,229
<i>Total Capital Assets, not being depreciated:</i>	7,694,983	18,027,547	0	25,722,530
<i>Capital Assets, being depreciated:</i>				
Land Improvements	900,495	0	0	900,495
Buildings and Improvements	6,597,155	11,500	(6,075)	6,602,580
Furniture, Equipment and Fixtures	1,423,836	0	0	1,423,836
Vehicles	1,764,336	44,350	(41,531)	1,767,155
<i>Total Capital Assets, being depreciated:</i>	10,685,822	55,850	(47,606)	10,694,066
Less Accumulated Depreciation:				
Land Improvements	(653,691)	(21,610)	0	(675,301)
Buildings and Improvements	(4,340,504)	(267,209)	4,253	(4,603,460)
Furniture, Equipment and Fixtures	(890,542)	(107,486)	0	(998,028)
Vehicles	(842,262)	(25,006)	27,478	(839,790)
<i>Total Accumulated Depreciation</i>	(6,726,999)	(421,311)	31,731	(7,116,579)
<i>Total Capital Assets being depreciated, net</i>	3,958,823	(365,461)	(15,875)	3,577,487
Governmental Activities Capital Assets, Net	\$11,653,806	\$17,662,086	(\$15,875)	\$29,300,017

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Notes to the Basic Financial Statements
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$25,795
Vocational	184
Support Services:	
Pupil	344
Instructional Staff	524
Administration	1,043
Operation and Maintenance of Plant	258,872
Pupil Transportation	125,830
Operation of Non-Instructional Services	3,075
Operation of Food Services	1,117
Extracurricular Activities	4,527
Total Depreciation Expense	\$421,311

Note 9 – Interfund Balances

A. Interfund Transfers

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers To	Transfers From
	General
<i>Nonmajor Governmental Funds:</i>	
Bond Retirement Fund	\$64,648
Other Grants Fund	73
Emergency Management Information Systems Fund	1,680
Poverty Based Assistance	9,646
Title I	15,319
Total	\$91,366

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

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*Notes to the Basic Financial Statements
For the Year Ended June 30, 2008*

B. Interfund Receivable/Payable

The interfund receivable/payable consisted of the following at June 30, 2008, as reported on the fund financial statements:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Fund:		
General	\$55,432	\$0
Non-major Governmental Funds:		
Public School Support	0	4,561
Emergency Management Information Systems	0	1,464
Title I	0	43,511
Drug Free Schools	0	1,582
Miscellaneous Federal Grants	0	4,314
	<u>\$55,432</u>	<u>\$55,432</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. Advances to/from for the year ended June 30, 2008 are classified as "Due to/from Other Funds" and consisted of an advance from a non-major governmental fund (Public School Support) to the student activities agency fund.

Note 10 – Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2008, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.

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

The classified personnel accumulate vacation based on the following schedule:

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

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

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

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 11 - Defined Benefit Pension Plans

A - School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2008, 2007, and 2006 were \$200,148, \$237,067, and \$230,624, respectively; 51.3 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal year 2007 and 2006.

B - State Teachers Retirement System

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

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

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio

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service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

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

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

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

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

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

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

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.

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For the Year Ended June 30, 2008

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$916,828, \$945,958, and \$903,552, respectively; 83.9 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$19,322 made by the District and \$24,376 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* were available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Note 12 - Postemployment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.84 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established as \$35,800. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2008 fiscal year equaled \$122,578.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were \$158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

B. State Teachers Retirement System of Ohio

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. For the fiscal year ended June 30, 2008, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$70,525 for fiscal year 2008.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000. There were 122,934 eligible benefit recipients.

Note 13 – Risk Management

A. Comprehensive

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

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

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

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

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

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For the Year Ended June 30, 2008

B. Employee Medical Benefits

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

C. Workers' Compensation

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

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 14 – Notes and Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2008, are as follows:

Governmental-Type Activities	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts due in One Year
General Obligation Bonds					
2006 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	\$8,185,000	\$0	\$380,000	\$7,805,000	\$390,000
Current Interest Term Bonds	11,255,000	0	0	11,255,000	0
Unamortized Premium	971,047	0	39,770	931,277	0
Capital Appreciation Bonds	689,979	0	0	689,979	0
Accretion on Capital Appreciation Bonds	97,124	56,341	0	153,465	0
Total General Obligation Bonds	21,198,150	56,341	419,770	20,834,721	390,000
Other Long-Term Obligations:					
Energy Conservation Note	290,000	0	45,000	245,000	45,000
Asbestos Removal Note	5,643	0	5,643	0	0
Bus Purchase Loan	93,450	0	60,958	32,492	32,492
Compensated Absences	1,289,252	62,418	73,166	1,278,504	21,240
Total Other Long-Term Obligations	1,678,345	62,418	184,767	1,555,996	98,732
Total Long-Term Obligations	\$22,876,495	\$118,759	\$604,537	\$22,390,717	\$488,732

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

The 2006 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$52,578 represents the accretion of discounted interest. The final maturity of these bonds is \$1,115,000.

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

Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$202,876 to assist in an asbestos removal project. The final payment of \$5,643 was made in December of 2007.

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

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

The School District's overall legal debt margin was \$3,226,373 with an unvoted debt margin of \$213,961 at June 30, 2008. Principal requirements to retire general obligation debt and long-term notes and loans outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$390,000	\$890,230	\$1,280,230	\$0	\$0	\$0
2010	495,000	875,718	1,370,718	0	0	0
2011	510,000	858,130	1,368,130	0	0	0
2012	0	849,205	849,205	340,090	189,910	530,000
2013	0	849,205	849,205	349,889	235,111	585,000
2014 - 2018	3,215,000	3,922,950	7,137,950	0	0	0
2019 - 2023	4,095,000	3,042,400	7,137,400	0	0	0
2024 - 2028	5,220,000	1,898,013	7,118,013	0	0	0
2029 - 2032	5,135,000	529,375	5,664,375	0	0	0
Total	\$19,060,000	\$13,715,226	\$32,775,226	\$689,979	\$425,021	\$1,115,000

Fiscal Year Ending June 30,	Energy Conservation Note			Bus Purchase Loan		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$45,000	\$11,403	\$56,403	\$32,492	\$1,871	\$34,363
2010	45,000	9,097	54,097	0	0	0
2011	50,000	6,662	56,662	0	0	0
2012	50,000	4,100	54,100	0	0	0
2013	55,000	1,409	56,409	0	0	0
Total	\$245,000	\$32,671	\$277,671	\$32,492	\$1,871	\$34,363

Note 15 – Jointly Governed Organizations

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2008. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained by contacting the Trumbull County Educational Service Center, 347 Park Avenue, Warren, Ohio 44481.

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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 2008. Financial information can be obtained from MaryAnn Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

Note 16 – Insurance Purchasing Pool

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

Note 17 – Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other 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, 2008.

B. Litigation

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

Note 18 – Statutory Reserves

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

Jefferson Area Local School District
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Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2007	\$683,575	\$0	\$1,922
Current Year Set-Aside Requirement	313,333	313,333	0
Qualifying Disbursements	(30,105)	(45,681)	0
Current year offsets	<u>0</u>	<u>(571,002)</u>	<u>0</u>
Total	<u>\$966,803</u>	<u>(\$303,350)</u>	<u>\$1,922</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$966,803</u>	<u>\$0</u>	<u>\$1,922</u>
Cash balance as of June 30, 2008	<u>\$966,803</u>	<u>\$0</u>	<u>\$1,922</u>

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of restricted assets as of June 30, 2008 is as follows:

Amount Set-Aside for Textbooks	\$966,803
Amount Set-Aside for Budget Stabilization	1,922
Amount Set-Aside for Bus Purchases	<u>13,073</u>
Total	<u>\$981,798</u>

Note 19 – Change in Accounting Principles

For fiscal year 2008, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 20 – Operating Lease

The District entered into a lease for copy machines commencing May 2004 for 60 months. Total expenditures on this lease for the year ended June 30, 2008 were \$11,976. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2009	<u>\$10,978</u>

Note 21 – Contractual Commitments

At June 30, 2008, the District's significant contractual commitments consisted of:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Jefferson Elementary			
APL Electric	\$1,305,113	\$1,269,540	\$35,573
Buehrer Group Architect	681,945	625,513	56,432
Blaze Building Corp.	7,141,296	6,909,338	231,958
Detrick Industrial Piping	1,624,490	1,590,267	34,223
Rock Creek Elementary			
Buehrer Group Architect	523,095	470,859	52,236
Hively Construction	6,221,689	6,064,684	157,005
VL Chapman Electric	1,031,209	1,012,009	19,200
Jefferson Junior and Senior High			
Buehrer Group Architect	1,743,543	1,308,588	434,955
Blaze Building Corp.	12,044,000	1,219,625	10,824,375
Western Reserve Mechanical	2,510,000	81,119	2,428,881
APL Electric	2,534,357	221,593	2,312,764
Detrick Industrial Piping	998,500	233,710	764,790
	<u>\$38,359,237</u>	<u>\$21,006,845</u>	<u>\$17,352,392</u>

Note 22 – New Accounting Standards

In August of 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions", which addresses how state and local governments should account for and report their costs and obligations related to postemployment health care and other non-pension benefits, or OPEB. Statement No. 45 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Statement No. 45 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

Jefferson Area Local School District
Ashtabula County

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

In November 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." This Statement is to establish accounting and financial reporting standards for pollution remediation obligations. Statement No. 49 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In June of 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This Statement requires that all intangible assets, which include easements, water rights, timber rights, patents, trademarks, and computer software, be classified as capital assets. Statement No. 51 will not be effective for the District until fiscal year 2010 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

In March of 2007, the GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." This Statement establishes standards for accounting and financial reporting for land and other real estate held as investments by endowments. Endowments include permanent and term endowments, and permanent funds. This Statement does not apply to lands granted by the Federal government in connection with a state being admitted to the United States. It also does not apply to quasi-endowments. This Statement applies to all state and local governments. Statement No. 52 will not be effective for the District until fiscal year 2009 and, as such, the District has not determined the impact, if any, that this statement will have on its financial statements.

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

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

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Area Local School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 29, 2010, wherein we noted that the District implemented *Governmental Accounting Standards Board (GASB) Statement Nos. 48 and 50*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: 2008-5 and 2008-6.

Board of Education
Jefferson Area City School District

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. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency: 2008-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2008-1 through 2008-4.

We noted certain matters that we reported to management of the District in a separate letter dated July 29, 2010.

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

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

Ciuni & Parichi, Inc.

Cleveland, Ohio
July 29, 2010

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

Board of Education
Jefferson Area Local School District
Jefferson, Ohio

Compliance

We have audited the compliance of the Jefferson Area Local School District (the “District”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

As described in item 2008-9 in the accompanying schedule of findings, the District did not comply with requirements regarding Reporting that are applicable its Title I grant. Compliance with such requirement is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2008-8.

Internal Control over Compliance

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report thereon dated July 29, 2010, which contained unqualified opinions on those financial statements, wherein we noted that the District implemented *GASB Statement Nos. 48 and 50*. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Cimini & Paricchi, Inc.

Cleveland, Ohio
July 29, 2010

Jefferson Area City School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Receipts	Non-cash Receipts	Disburse- ments	Non-Cash Disburse- ments
U.S. Department of Agriculture:					
Passed-Through Ohio Department of Education:					
Food Distribution	10.550	\$ -	\$ 51,908	\$ -	\$ 58,647
Nutrition Cluster:					
School Breakfast Program	10.553	52,342	-	52,342	-
School Lunch Program	10.555	<u>244,775</u>	<u>-</u>	<u>244,775</u>	<u>-</u>
Total Nutrition Cluster		<u>297,117</u>	<u>-</u>	<u>297,117</u>	<u>-</u>
Total U.S. Department of Agriculture		<u>297,117</u>	<u>51,908</u>	<u>297,117</u>	<u>58,647</u>
U.S. Department of Education:					
Passed-Through Ohio Department of Education:					
Title I	84.010	202,114	-	251,587	-
Safe and Drug Free Schools	84.186	6,028	-	2,344	-
Innovative Education Program Strategy	84.298	4,903	-	2,282	-
Enhancing Education Through Technology	84.318	604	-	400	-
Title II-A	84.367	<u>63,443</u>	<u>-</u>	<u>66,015</u>	<u>-</u>
Total U.S. Department of Education		<u>277,092</u>	<u>-</u>	<u>322,628</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 574,210</u>	<u>\$ 51,908</u>	<u>\$ 619,745</u>	<u>\$ 58,647</u>

The accompanying notes are an integral part of this schedule

Jefferson Area City School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2008

Note 1: Significant Accounting Policies

Basis of Presentation

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

Child Nutrition Cluster

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

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

Jefferson Area Local School District

Schedule of Findings
OMB Circular A-133 Section .505

June 30, 2008

1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Was there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	Yes
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	Yes
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA No. 10.553 and 10.555 Title I CFDA No. 84.010
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	No

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

Findings	Findings Summary																				
2008-1	<p>Material Noncompliance</p> <p>Per ORC Section 5705.41 (B), no subdivision or taxing unit is to expend money unless it has been appropriated. The following object levels had expenditures plus encumbrances in excess of final appropriations:</p> <table> <tr> <td colspan="2">General Fund</td> </tr> <tr> <td colspan="2"> Instruction</td> </tr> <tr> <td> Vocational – Personal Services</td> <td style="text-align: right;">\$ 650</td> </tr> <tr> <td> Vocation – Other</td> <td style="text-align: right;">26</td> </tr> <tr> <td colspan="2"> Support Services</td> </tr> <tr> <td> Pupil – Personal Services</td> <td style="text-align: right;">28,231</td> </tr> <tr> <td> Instruction Staff – Personal Services</td> <td style="text-align: right;">5,569</td> </tr> <tr> <td> Operation and Maintenance of Plant – Personal Services</td> <td style="text-align: right;">4,649</td> </tr> <tr> <td> Extracurricular Activities – Personal Services</td> <td style="text-align: right;">1,953</td> </tr> <tr> <td> Transfers</td> <td style="text-align: right;">91,366</td> </tr> </table>	General Fund		Instruction		Vocational – Personal Services	\$ 650	Vocation – Other	26	Support Services		Pupil – Personal Services	28,231	Instruction Staff – Personal Services	5,569	Operation and Maintenance of Plant – Personal Services	4,649	Extracurricular Activities – Personal Services	1,953	Transfers	91,366
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Jefferson Area Local School District

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

June 30, 2008

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

<p>2008-1 (continued)</p>	<p>Special Revenue Funds:</p> <table border="0"> <tr> <td>Miscellaneous State Grants Fund</td> <td></td> <td></td> </tr> <tr> <td> Instruction</td> <td></td> <td></td> </tr> <tr> <td> Regular – Other</td> <td></td> <td>4,668</td> </tr> <tr> <td> Transfers</td> <td></td> <td>5,403</td> </tr> <tr> <td>Title I Fund</td> <td></td> <td></td> </tr> <tr> <td> Instruction</td> <td></td> <td></td> </tr> <tr> <td> Special – Personal Services</td> <td></td> <td>17,305</td> </tr> <tr> <td> Support Services</td> <td></td> <td></td> </tr> <tr> <td> Administration – Personal Services</td> <td></td> <td>958</td> </tr> <tr> <td>Safe and Drug Free Schools Fund</td> <td></td> <td></td> </tr> <tr> <td> Instruction</td> <td></td> <td></td> </tr> <tr> <td> Regular – Other</td> <td></td> <td>4,331</td> </tr> <tr> <td>Improving Teacher Quality Fund</td> <td></td> <td></td> </tr> <tr> <td> Transfers</td> <td></td> <td>37,999</td> </tr> <tr> <td>Debt Service Fund – Other</td> <td></td> <td>2,030</td> </tr> <tr> <td>Capital Projects Funds:</td> <td></td> <td></td> </tr> <tr> <td> Building Fund</td> <td></td> <td></td> </tr> <tr> <td> Capital Outlay – Other</td> <td></td> <td>7,223,220</td> </tr> <tr> <td> Classroom Facilities Fund</td> <td></td> <td></td> </tr> <tr> <td> Capital Outlay - Other</td> <td></td> <td>20,804,815</td> </tr> <tr> <td>Private Purpose Trust Fund – Scholarship</td> <td></td> <td></td> </tr> <tr> <td> Extracurricular Activities – Other</td> <td></td> <td>2,200</td> </tr> </table>	Miscellaneous State Grants Fund			Instruction			Regular – Other		4,668	Transfers		5,403	Title I Fund			Instruction			Special – Personal Services		17,305	Support Services			Administration – Personal Services		958	Safe and Drug Free Schools Fund			Instruction			Regular – Other		4,331	Improving Teacher Quality Fund			Transfers		37,999	Debt Service Fund – Other		2,030	Capital Projects Funds:			Building Fund			Capital Outlay – Other		7,223,220	Classroom Facilities Fund			Capital Outlay - Other		20,804,815	Private Purpose Trust Fund – Scholarship			Extracurricular Activities – Other		2,200
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<p>2008-2</p>	<p>Material Noncompliance</p> <p>Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue. The following funds had original and final appropriations plus carryover encumbrances in excess estimated resources:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Original</u></th> <th style="text-align: center;"><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Special Revenue Funds:</td> <td></td> <td></td> </tr> <tr> <td> EMIS Fund</td> <td style="text-align: right;">\$ 1,963</td> <td style="text-align: right;">\$ 1,963</td> </tr> <tr> <td> Ohio Read Fund</td> <td style="text-align: right;">12,301</td> <td style="text-align: right;">12,301</td> </tr> <tr> <td> Miscellaneous State Grants Fund</td> <td style="text-align: center;">-</td> <td style="text-align: right;">6,441</td> </tr> <tr> <td> Title V Fund</td> <td style="text-align: center;">-</td> <td style="text-align: right;">16,506</td> </tr> </tbody> </table>		<u>Original</u>	<u>Final</u>	Special Revenue Funds:			EMIS Fund	\$ 1,963	\$ 1,963	Ohio Read Fund	12,301	12,301	Miscellaneous State Grants Fund	-	6,441	Title V Fund	-	16,506																																																
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Jefferson Area Local School District

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

June 30, 2008

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

2008-3	<p>Material Noncompliance</p> <p>Ohio Revised Code Section 117.38 requires all public offices to file a financial report for each fiscal year. GAAP basis entities must file annual reports within 150 days. The Auditor of State may prescribe forms by rule or may issue guidelines, for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Any public office which does not file the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars.</p> <p>Also, the public office must publish a notice in the local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.</p> <p>For the year ended June 30, 2008, the School District did not file an annual report with the Auditor of State's office within 150 days and did not publish a notice in the paper.</p> <p>We recommend that the School District comply with the above-mentioned code section and file their annual report timely and publish notice in the paper.</p> <p>Management's Response:</p> <p>This will be corrected in the future. As a result of the date of the prior audit, these items have not been corrected. The first year the report can be filed timely with the Auditor of State's office will be fiscal year ending June 30, 2009. The notice in the paper will be released of fiscal year ending June 30, 2010.</p>
2008-4	<p>Material Noncompliance</p> <p>Ohio Revised Code Section 3315.17 and 3315.18 require every city, local, exempted village, and joint vocational school district to establish two reserves, one for textbooks and instructional materials and one for capital (acquisition) and maintenance. The reserves are to be accounted for in the General Fund using any reasonable accounting method.</p> <p>The School District did not establish the reserve accounts in the General Fund (using special cost centers), contrary to the above mentioned ORC and local requirements.</p> <p>We recommend the District establish the required reserve accounts within the General Fund.</p> <p>Management's Response:</p> <p>The cost centers will be established as soon as possible. Based on the release of the previous audit, the earliest they can be established is fiscal year ending June 30, 2009.</p>

Jefferson Area Local School District

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

June 30, 2008

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

2008-5	<p>Material Weakness</p> <p>Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:</p> <ol style="list-style-type: none">1. Adjusted construction in progress by \$499,648 to adjust for retainage and accounts payable activity in construction in progress.2. Adjusted retainage and accounts payable by \$377,811 and \$615,493, respectively, for amounts that were not originally recorded.3. Decreased intergovernmental receivable and deferred revenue by \$12,533,265 for amounts that were originally recorded related to Ohio Schools Facility Commission monies that were already received by the District.4. Adjusted Invested in Capital, Net of Related Debt for above entries for \$5,312,443. <p>The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p>We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District's management needs to review the statements to be sure that all items are being properly recorded. As a significant portion of the adjustments related to the construction projects with the Ohio Schools Facilities Commission, it is also recommended that a person is designated to monitor these expenses regularly and be sure that all contractors' payments are up to date.</p>
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Jefferson Area Local School District

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

June 30, 2008

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

2008-6	<p><i>Material Weakness</i></p> <p>The District was not properly reconciling their bank statements with their system; therefore, they were understating fund balances by approximately \$1,423,000. Management contracted with a third party to perform reconciliations for the year under audit to correct the misstatement.</p>
2008-7	<p><i>Significant Deficiency – Approval of Student Activities</i></p> <p>Student Activity Policy (6610) was adopted by the Board to establish financial controls for the administration of the activities of the student body organization. The Policy further instructed the Superintendent to implement administrative guidelines to ensure that all student activity funds are managed, recorded, and deposited in accordance with law and sound fiscal practice.</p> <p>The District failed to maintain sufficient documentation for the collection of monies to help support amounts deposited with the Treasurer’s office.</p> <p>We recommend that management strictly enforce the mandates that have been adopted. Advisors should not start activities until the Board of Education and Superintendent approve the Anticipated Activity Budget. School Principals and Superintendent should approve the Sales/Service Project Reports after the report is completed and by the Activity Advisor.</p> <p>Management’s Response:</p> <p>The recommendation was implemented in fiscal year ending June 30, 2009.</p>

Jefferson Area Local School District

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

June 30, 2008

3. Findings for Federal Awards

2008-8	<p><i>Material Noncompliance</i></p> <p>OMB Circular A-133 Section 300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB Circular A-133 Section 320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after the end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency.</p> <p>Evidence was provided that the District notified the cognizant or oversight agency when it became apparent that an audit report and data collection form would not be available within the prescribed reporting time. However the cognizant or oversight agency is no longer providing any extensions.</p> <p>Management's Response:</p> <p>The District is in the process of getting completely caught up by December 2010.</p>
2008-9	<p><i>Federal Compliance – Reporting</i></p> <p>Per our review of the final expenditure report, we noted the report was not finalized by the deadline as noted in the Grant Agreement. The final expenditure report for the Title I Grant was not finalized until March 2010 with the Ohio Department of Education.</p> <p>We recommend the District adopt policies and procedures to ensure that the schedule of federal expenditures is reviewed for completeness at year-end.</p> <p>Management's Response:</p> <p>The District is in the process of getting completely caught up for Fiscal 2010.</p>

Jefferson Area Local School District

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

June 30, 2008

Findings	Findings Summary	Corrected	Responsible Contact Person; Not Corrected, Partially Corrected
2007-1	Per ORC Section 5705.41(B), the District is prohibited from making expenditures unless it has been properly appropriated.	No	Edward Williams, Treasurer; Repeat comment
2007-2	Per ORC Section 5705.39, the total appropriations plus carryover encumbrances from each fund shall not exceed the total estimated revenues.	No	Edward Williams, Treasurer; Repeat comment
2007-3	Per ORC Section 117.38, the District should file annual report on a timely basis, within 150 days of year end.	No	Edward Williams, Treasurer; The District will become caught up with their fiscal audits by fiscal year 2010.
2007-4	Per ORC Section 149.351, athletic records not kept for audit.	Yes	Edward Williams, Treasurer; Corrected
2007-5	Per ORC Section 3315.17 and 3315.18, reserve funds support documentation was not maintained.	No	Edward Williams, Treasurer; Repeat comment
2007-6	The District was not reconciling the bank accounts timely or accurately.	No	Edward Williams, Treasurer; Repeat comment
2007-7	The District was not monitoring the GAAP conversion process and therefore, several significant journal entries were required to adjust balances to actual.	No	Edward Williams, Treasurer; Repeat comment
2007-8	Board policies regarding student activities were not being followed.	No	Edward Williams, Treasurer; Repeat comment
2007-9	Single audit reports were not filed timely.	No	Edward Williams, Treasurer; Repeat comment

Jefferson Area City School District

401 West 44th Street
 Jefferson, Ohio 44005
 (440) 993-2500

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

June 30, 2008

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2008-1	Edward Williams, Treasurer, will monitor actual expenditures more closely, to ensure they do not exceed the budgeted amounts.	Fiscal year 2009	Edward Williams, Treasurer
2008-2	Edward Williams, Treasurer, will monitor budgeting process more closely, to ensure the appropriation plus prior year encumbrances do not exceed estimated resources.	Fiscal year 2009	Edward Williams, Treasurer
2008-3	Edward Williams, Treasurer, will monitor GAAP conversion to be sure that it is completed timely.	Fiscal year 2009	Edward Williams, Treasurer
2008-4	Edward Williams, Treasurer, will create the reserve accounts in the General Fund.	Fiscal year 2011	Edward Williams, Treasurer
2008-5	Edward Williams, Treasurer, will monitor GAAP conversion more closely.	Fiscal year 2009	Edward Williams, Treasurer
2008-6	Edward Williams, Treasurer, will reconcile cash on a more regular basis.	Fiscal year 2011	Edward Williams, Treasurer
2008-7	Edward Williams, Treasurer, will ensure that Student Activities are following Board policy.	Fiscal year 2009	Edward Williams, Treasurer
2008-8	Edward Williams, Treasurer, will ensure that Single Audit reports are filed timely.	Fiscal year 2010	Edward Williams, Treasurer
2008-9	Edward Williams, Treasurer, will ensure that Single Audit reports are filed timely.	Fiscal year 2010	Edward Williams, Treasurer



Mary Taylor, CPA
Auditor of State

JEFFERSON AREA LOCAL SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 4, 2010**