

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

JILL SMITH, TREASURER



Dave Yost • Auditor of State

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

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 30, 2011

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

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

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Independent Accountants' Report

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2011, the Jefferson Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 on our consideration of the Jefferson Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Julian & Grube, Inc.
November 30, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Jefferson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$873,402 which represents a 3.57% decrease from fiscal year 2010.
- General revenues accounted for \$11,002,351 in revenue or 77.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,184,270 or 22.45% of total revenues of \$14,186,621.
- The District had \$15,060,023 in expenses related to governmental activities; \$3,184,270 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,002,351 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$10,786,132 in revenues and \$12,075,301 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$1,289,169 from a restated fund balance of \$7,524,928 to \$6,235,759.
- The debt service fund, had \$2,297,922 in revenues and other financing sources and \$2,212,175 in expenditures. During fiscal year 2011, the debt service fund's fund balance increased \$85,747 from \$1,437,003 to \$1,522,750.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-54 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Assets</u>		
Current and other assets	\$ 13,450,874	\$ 13,788,128
Capital assets, net	<u>29,768,985</u>	<u>30,412,584</u>
Total assets	<u>43,219,859</u>	<u>44,200,712</u>
<u>Liabilities</u>		
Current liabilities	4,611,124	4,111,275
Long-term liabilities	<u>15,048,548</u>	<u>15,655,848</u>
Total liabilities	<u>19,659,672</u>	<u>19,767,123</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	15,801,277	15,761,818
Restricted	2,190,292	1,949,295
Unrestricted	<u>5,568,618</u>	<u>6,722,476</u>
Total net assets	<u>\$ 23,560,187</u>	<u>\$ 24,433,589</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$23,560,187. Of this total, \$2,190,292 is restricted in use.

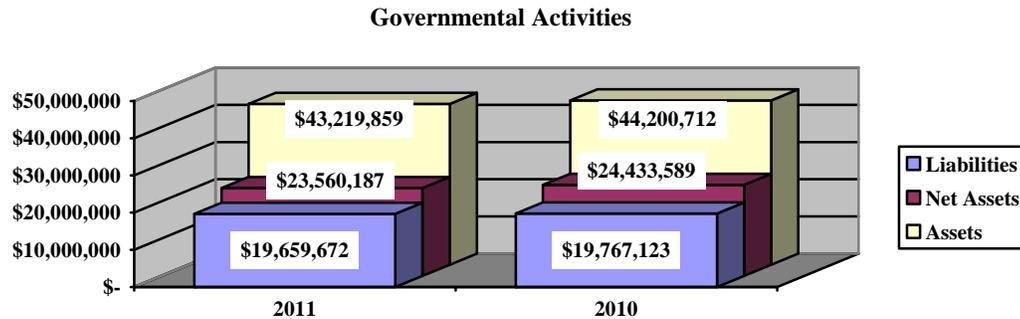
**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year end, capital assets represented 68.88% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$15,801,277. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,190,292, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$5,568,618 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010:



The table below shows the change in net assets for fiscal year 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,305,213	\$ 1,222,263
Operating grants and contributions	1,869,283	1,240,095
Capital grants and contributions	9,774	10,102
General revenues:		
Property taxes	5,077,683	6,498,036
School District income tax	729,591	744,306
Grants and entitlements	4,575,369	4,912,758
Payment in lieu of taxes	602,841	582,768
Investment earnings	11,333	19,779
Other	5,534	7,840
Total revenues	\$ 14,186,621	\$ 15,237,947

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The decrease in tax revenues is due to the decrease in advance tax payments made during the year. During fiscal year 2010 the County received a large amount of automated advance tax payments from taxpayers' escrow accounts. These amounts were booked as revenue when they were received and not when they were due. The increase in operating grants and contributions is due to the classification of Pathway to Student Success (PASS) foundation revenues in 2011 compared to those in 2010. During fiscal year 2011 these revenues were recorded as operating grants and contributions and they were previously recorded as general revenues in fiscal year 2010. The decrease in tax revenues is due to the significant decline in the collection of property taxes during fiscal year 2011.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,965,720	\$ 5,817,758
Special	1,793,962	1,732,189
Support services:		
Pupil	709,027	787,498
Instructional staff	771,476	675,186
Board of education	76,991	65,079
Administration	897,714	892,076
Fiscal	478,260	483,013
Business	64,662	58,671
Operations and maintenance	1,436,321	1,444,484
Pupil transportation	615,568	581,849
Central	303,815	290,288
Operations of non-instructional services:		
Other non-instructional services	24,771	-
Food service operations	668,267	592,242
Extracurricular activities	662,368	681,776
Interest and fiscal charges	591,101	590,942
Total expenses	<u>15,060,023</u>	<u>14,693,051</u>
Change in net assets	(873,402)	544,896
Net assets at beginning of year	<u>24,433,589</u>	<u>23,888,693</u>
Net assets at end of year	<u>\$ 23,560,187</u>	<u>\$ 24,433,589</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$873,402. Total governmental expenses of \$15,060,023 were offset by program revenues of \$3,184,270 and general revenues of \$11,002,351. Program revenues supported 21.14% of the total governmental expenses.

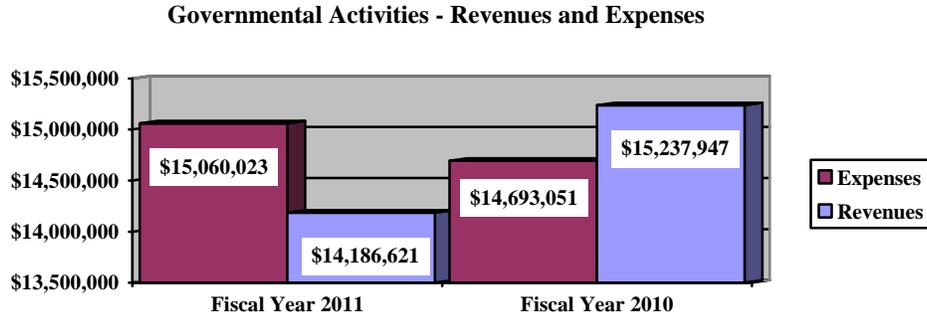
The primary sources of revenue for governmental activities are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 73.19% of total governmental revenue.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,759,682 or 51.53% of total governmental expenses for fiscal year 2011.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2011 and 2010.

Governmental Activities

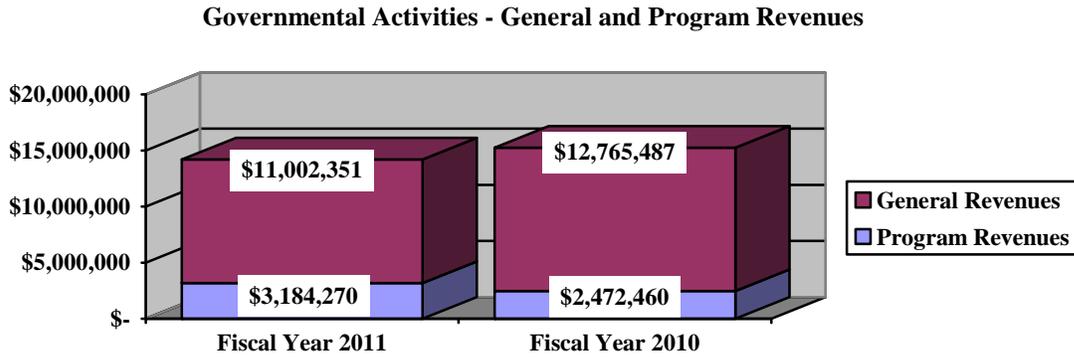
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 5,965,720	\$ 4,883,551	\$ 5,817,758	\$ 5,063,835
Special	1,793,962	1,043,213	1,732,189	1,347,333
Support services:				
Pupil	709,027	360,338	787,498	334,047
Instructional staff	771,476	686,095	675,186	655,610
Board of education	76,991	76,991	65,079	65,079
Administration	897,714	839,740	892,076	892,076
Fiscal	478,260	478,260	483,013	482,217
Business	64,662	64,662	58,671	58,671
Operations and maintenance	1,436,321	1,422,223	1,444,484	1,428,179
Pupil transportation	615,568	596,346	581,849	488,482
Central	303,815	291,602	290,288	278,429
Operations of non-instructional services:				
Other non-instructional services	24,771	21,967	-	-
Food service operations	668,267	62,681	592,242	39,808
Extracurricular activities	662,368	456,983	681,776	495,883
Interest and fiscal charges	591,101	591,101	590,942	590,942
Total expenses	<u>\$ 15,060,023</u>	<u>\$ 11,875,753</u>	<u>\$ 14,693,051</u>	<u>\$ 12,220,591</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.38% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.86%. The District's taxpayers, and grants and entitlements received from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.



The District's Funds

The District's governmental funds reported a combined fund balance of \$8,125,061, which is lower than last year's restated balance of \$9,329,978 (as described in note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 6,235,759	\$ 7,524,928	\$ (1,289,169)	(17.13) %
Debt Service	1,522,750	1,437,003	85,747	5.97 %
Other Governmental	<u>366,552</u>	<u>368,047</u>	<u>(1,495)</u>	(0.41) %
Total	<u>\$ 8,125,061</u>	<u>\$ 9,329,978</u>	<u>\$ (1,204,917)</u>	(12.91) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund

The District's general fund balance decreased \$1,289,169. The table that follows assists in illustrating the financial activities of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,739,175	\$ 5,820,905	\$ (1,081,730)	(18.58) %
Tuition	714,767	672,398	42,369	6.30 %
Earnings on investments	8,655	31,701	(23,046)	(72.70) %
Intergovernmental	4,665,962	4,684,497	(18,535)	(0.40) %
Other revenues	<u>657,573</u>	<u>631,201</u>	<u>26,372</u>	4.18 %
Total	<u>\$ 10,786,132</u>	<u>\$ 11,840,702</u>	<u>\$ (1,054,570)</u>	(8.91) %
<u>Expenditures</u>				
Instruction	\$ 6,807,703	\$ 6,369,718	\$ 437,985	6.88 %
Support services	4,512,837	4,245,190	267,647	6.30 %
Non-instructional services	11,966	-	11,966	100.00 %
Extracurricular activities	437,739	442,908	(5,169)	(1.17) %
Facilities acquisition and construction	3,058	56,200	(53,142)	(94.56) %
Debt service	<u>-</u>	<u>6,554</u>	<u>(6,554)</u>	(100.00) %
Total	<u>\$ 11,773,303</u>	<u>\$ 11,120,570</u>	<u>\$ 652,733</u>	5.87 %

The decrease in tax revenues is due to the decrease in advance tax payments made during the year. During fiscal year 2010 the County received a large amount of automated advance tax payments from taxpayers' escrow accounts. These amounts were booked as revenue when they were received and not when they were due. The decrease in earnings on investments is primarily due to a decrease in interest rates. The increase in tuition revenue is due to the increase in open enrollment revenues. The decrease in facilities acquisition and construction is due to the completion of the additions to the high school/middle school and the elementary school. The overall increase in instruction and support service expenditures related to the increase in personnel costs. During the current fiscal year the District hired additional non-certified staff.

Debt Service Fund

The debt service fund had \$2,297,922 in revenues and other financing sources and \$2,212,175 in expenditures. During fiscal year 2011, the debt service fund's fund balance increased \$85,747, or 5.97% of the 2010 fund balance. The debt service fund's revenues decreased 18.58% due to a decrease in tax receipts in the current year. The overall increase in fund balance is due to the rollovers of bond anticipation notes and subsequent principal reduction. However, activity was consistent with the previous year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,633,200 and final budgeted revenues and other financing sources were \$11,094,007. Actual revenues and other financing sources for fiscal year 2011 were \$10,850,822. This represents a \$243,185 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,076,607 were amended several times during the fiscal year. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$12,018,484, which was \$418,123 below the final budget appropriations of \$12,436,607.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$29,768,985 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2011 balances compared to 2010:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2011	2010
Land	\$ 254,158	\$ 254,158
Land improvements	238,557	267,298
Building and improvements	28,362,748	28,966,133
Furniture and equipment	468,366	477,760
Vehicles	445,156	447,235
Total	\$ 29,768,985	\$ 30,412,584

The overall decrease in capital assets of \$643,599 is due to depreciation expense of \$802,557 and disposals (net of accumulated depreciation) of \$807 exceeding capital outlays of \$159,765.

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

Debt Administration

At June 30, 2011, the District had \$295,671 in energy conservation bonds, \$12,630,000 in general obligation bonds and \$900,000 in bond anticipation notes outstanding. Of this total, \$1,369,788 is due within one year and \$12,455,883 is due in greater than one year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following table summarizes the bonds, notes and capital leases outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Energy conservation bonds	\$ 295,671	\$ 371,800
General obligation bonds	12,630,000	13,005,000
Bond anticipation notes	<u>900,000</u>	<u>1,125,000</u>
Total	<u>\$ 13,825,671</u>	<u>\$ 14,501,800</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District has committed itself to educational and financial excellence for many years. The District implements budgeting and internal controls to safeguard assets and monitor the District's progress. The District uses a five-year forecast of the general fund, which is closely monitored by the Board of Education and administration, as a tool to manage resources effectively. During fiscal year 2011, the Board of Education implemented approximately \$350,000 in various cuts and reductions in force for fiscal year 2012. There may be a need to act on additional cuts and reductions in force for fiscal year 2013.

As most of the financial information in this report shows, the District relies heavily on its taxpayers. The District's community support was measured by the passage of a \$16.9 million bond issue in November 2003, the renewal of the 0.5% earned income tax for operating purposes in November 2008 and the renewal of the District's emergency levy in November 2009 which generates approximately \$1.4 million annually. The support of these three issues demonstrates the strong belief of community members that their schools are one of their highest priorities.

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,739,095
Cash with fiscal agent	132,087
Cash with escrow agent	12,666
Receivables:	
Property taxes.	5,688,718
Income taxes	261,416
Accounts	18,775
Payment in lieu of taxes.	131,652
Intergovernmental.	257,616
Accrued interest	2,847
Prepayments.	50,986
Materials and supplies inventory	12,979
Unamortized bond issuance costs	142,037
Capital assets:	
Land	254,158
Depreciable capital assets, net	29,514,827
Capital assets, net.	<u>29,768,985</u>
 Total assets	 <u>43,219,859</u>
 Liabilities:	
Accounts payable.	50,230
Retainage payable	12,666
Accrued wages and benefits	1,039,081
Pension obligation payable.	182,542
Intergovernmental payable	42,018
Unearned revenue	3,141,595
Claims payable	116,407
Accrued interest payable	26,585
Long-term liabilities:	
Due within one year.	1,521,931
Due in more than one year	13,526,617
 Total liabilities	 <u>19,659,672</u>
 Net Assets:	
Invested in capital assets, net of related debt.	15,801,277
Restricted for:	
Capital projects	76,305
Debt service.	1,542,465
Classroom facilities maintenance	235,207
Locally funded programs	27,981
State funded programs.	232,501
Federally funded programs	20,204
Student activities	51,747
Other purposes	3,882
Unrestricted.	<u>5,568,618</u>
 Total net assets	 <u>\$ 23,560,187</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,965,720	\$ 724,317	\$ 357,852	\$ -	\$ (4,883,551)
Special	1,793,962	56,363	694,386	-	(1,043,213)
Support services:					
Pupil.	709,027	-	348,689	-	(360,338)
Instructional staff	771,476	-	85,381	-	(686,095)
Board of education	76,991	-	-	-	(76,991)
Administration.	897,714	-	57,974	-	(839,740)
Fiscal.	478,260	-	-	-	(478,260)
Business.	64,662	-	-	-	(64,662)
Operations and maintenance	1,436,321	4,324	-	9,774	(1,422,223)
Pupil transportation.	615,568	-	19,222	-	(596,346)
Central	303,815	-	12,213	-	(291,602)
Operation of non-instructional services:					
Other non-instructional services	24,771	-	2,804	-	(21,967)
Food service operations	668,267	316,856	288,730	-	(62,681)
Extracurricular activities.	662,368	203,353	2,032	-	(456,983)
Interest and fiscal charges	591,101	-	-	-	(591,101)
Total governmental activities	\$ 15,060,023	\$ 1,305,213	\$ 1,869,283	\$ 9,774	(11,875,753)

General Revenues:

Property taxes levied for:	
General purposes	4,008,271
Classroom facilities maintenance	59,842
Debt service.	1,009,570
School district income tax	729,591
Payment in lieu of taxes	602,841
Grants and entitlements not restricted to specific programs	4,575,369
Investment earnings	11,333
Miscellaneous	5,534
Total general revenues	11,002,351
Change in net assets	(873,402)
Net assets at beginning of year	24,433,589
Net assets at end of year	\$ 23,560,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,328,709	\$ 1,041,168	\$ 365,336	\$ 6,735,213
Cash with escrow agent.	-	-	12,666	12,666
Receivables:				
Property taxes.	4,585,459	1,042,900	60,359	5,688,718
Income taxes	261,416	-	-	261,416
Payment in lieu of taxes	105,322	25,014	1,316	131,652
Accounts	17,202	-	1,573	18,775
Intergovernmental.	25	-	257,591	257,616
Accrued interest.	2,847	-	-	2,847
Prepayments.	50,986	-	-	50,986
Materials and supplies inventory	-	-	12,979	12,979
Restricted assets:				
Equity in pooled cash and cash equivalents	3,882	-	-	3,882
Total assets	\$ 10,355,848	\$ 2,109,082	\$ 711,820	\$ 13,176,750
Liabilities:				
Accounts payable	\$ 42,926	\$ -	\$ 7,304	\$ 50,230
Retainage payable.	-	-	12,666	12,666
Accrued wages and benefits.	1,010,308	-	28,773	1,039,081
Compensated absences payable	69,228	-	-	69,228
Early retirement incentive payable	30,000	-	-	30,000
Pension obligation payable	171,176	-	11,366	182,542
Intergovernmental payable	36,721	-	5,297	42,018
Deferred revenue	188,637	46,300	249,392	484,329
Unearned revenue	2,571,093	540,032	30,470	3,141,595
Total liabilities.	4,120,089	586,332	345,268	5,051,689
Fund Balances:				
Nonspendable:				
Materials and supplies inventory.	-	-	12,979	12,979
Prepays.	50,986	-	-	50,986
Restricted:				
Debt service	-	1,522,750	-	1,522,750
Capital improvements	-	-	76,305	76,305
Classroom facilities maintenance	-	-	232,448	232,448
Targeted academic assistance	-	-	103	103
Other purposes.	-	-	33,950	33,950
School bus purchases	3,882	-	-	3,882
Extracurricular	-	-	51,747	51,747
Committed:				
Student and staff support.	2,436	-	-	2,436
Assigned:				
Student instruction	7,950	-	-	7,950
Student and staff support.	103,712	-	-	103,712
Extracurricular activities	5,255	-	-	5,255
Uniform school supplies	34,464	-	-	34,464
Unassigned (deficit)	6,027,074	-	(40,980)	5,986,094
Total fund balances	6,235,759	1,522,750	366,552	8,125,061
Total liabilities and fund balances	\$ 10,355,848	\$ 2,109,082	\$ 711,820	\$ 13,176,750

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 8,125,061
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		29,768,985
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 235,018	
Accrued interest receivable	2,678	
Intergovernmental receivable	246,633	
Total		484,329
Unamortized bond issuance costs are not recognized in the funds.		142,037
Unamortized premiums on bond issuances are not recognized in the funds.		(142,037)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(26,585)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(951,612)	
Early retirement incentive	(30,000)	
Energy conservation bonds payable	(295,671)	
Bond anticipation notes	(900,000)	
General obligation bonds	(12,630,000)	
Total		(14,807,283)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.		15,680
		15,680
Net assets of governmental activities		\$ 23,560,187

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 4,009,584	\$ 1,008,870	\$ 59,803	\$ 5,078,257
Income taxes	729,591	-	-	729,591
Payment in lieu of taxes	569,509	30,658	2,674	602,841
Tuition	714,767	-	-	714,767
Charges for services	-	-	316,856	316,856
Earnings on investments	8,655	-	53	8,708
Extracurricular	39,126	-	199,349	238,475
Classroom materials and fees	30,791	-	-	30,791
Rental income	4,324	-	-	4,324
Contributions and donations	8,289	-	14,500	22,789
Other local revenues	5,534	-	-	5,534
Intergovernmental - intermediate	1,801	-	-	1,801
Intergovernmental - state	4,627,643	256,588	36,613	4,920,844
Intergovernmental - federal	36,518	-	1,233,728	1,270,246
Total revenues	<u>10,786,132</u>	<u>1,296,116</u>	<u>1,863,576</u>	<u>13,945,824</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,477,204	-	91,497	5,568,701
Special	1,330,499	-	367,487	1,697,986
Support services:				
Pupil	316,086	-	347,364	663,450
Instructional staff	639,376	-	85,384	724,760
Board of education	75,889	-	-	75,889
Administration	793,457	-	56,853	850,310
Fiscal	428,336	26,273	1,556	456,165
Business	64,662	-	-	64,662
Operations and maintenance	1,257,279	-	72,723	1,330,002
Pupil transportation	637,858	-	-	637,858
Central	299,894	-	12,361	312,255
Operation of non-instructional services:				
Other non-instructional services	11,966	-	2,805	14,771
Food service operations	-	-	631,037	631,037
Extracurricular activities	437,739	-	192,446	630,185
Facilities acquisition and construction	3,058	-	76,855	79,913
Debt service:				
Principal retirement	-	1,576,129	-	1,576,129
Interest and fiscal charges	-	600,963	-	600,963
Note issuance costs	-	8,810	-	8,810
Total expenditures	<u>11,773,303</u>	<u>2,212,175</u>	<u>1,938,368</u>	<u>15,923,846</u>
Excess of expenditures over revenues	<u>(987,171)</u>	<u>(916,059)</u>	<u>(74,792)</u>	<u>(1,978,022)</u>
Other financing sources (uses):				
Issuance of notes	-	900,000	-	900,000
Premium on notes	-	8,910	-	8,910
Transfers in	-	92,896	73,297	166,193
Transfers (out)	(301,998)	-	-	(301,998)
Total other financing sources (uses)	<u>(301,998)</u>	<u>1,001,806</u>	<u>73,297</u>	<u>773,105</u>
Net change in fund balances	(1,289,169)	85,747	(1,495)	(1,204,917)
Fund balances at beginning of year (restated)	<u>7,524,928</u>	<u>1,437,003</u>	<u>368,047</u>	<u>9,329,978</u>
Fund balances at end of year	<u>\$ 6,235,759</u>	<u>\$ 1,522,750</u>	<u>\$ 366,552</u>	<u>\$ 8,125,061</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (1,204,917)

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	159,765	
Current year depreciation		(802,557)	
Total		(642,792)	(642,792)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

(807)

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

Property taxes		(574)	
Earnings on investments		2,678	
Intergovernmental		238,693	
Total		240,797	240,797

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

1,576,129

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

Decrease in accrued interest payable		9,762	
Amortization of bond premium		6,929	
Amortization of bond issue costs		(6,929)	
Total		9,762	9,762

Issuance of bond anticipation notes are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenue as they increase liabilities on the statement of net assets.

(900,000)

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

(43,877)

An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

92,303

Change in net assets of governmental activities \$ (873,402)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 4,049,500	\$ 4,307,500	\$ 4,098,995	\$ (208,505)
Income taxes	745,000	765,700	765,620	(80)
Payment in lieu of taxes	420,000	572,200	562,974	(9,226)
Tuition	575,000	698,600	714,767	16,167
Earnings on investments	25,000	9,000	8,865	(135)
Rental income	5,000	5,000	4,324	(676)
Other local revenues	15,000	5,000	5,030	30
Intergovernmental - state	4,768,500	4,666,307	4,627,643	(38,664)
Intergovernmental - federal	15,000	25,000	24,757	(243)
Total revenues	<u>10,618,000</u>	<u>11,054,307</u>	<u>10,812,975</u>	<u>(241,332)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,352,388	5,492,388	5,403,837	88,551
Special	1,117,223	1,034,223	1,310,860	(276,637)
Other	500	500	-	500
Support services:				
Pupil	524,656	564,656	319,687	244,969
Instructional staff	618,156	673,156	644,496	28,660
Board of education	105,125	105,125	89,101	16,024
Administration	745,337	805,337	786,665	18,672
Fiscal	428,926	448,926	431,207	17,719
Business	64,925	64,925	64,038	887
Operations and maintenance	1,358,164	1,408,164	1,270,870	137,294
Pupil transportation	597,197	620,197	633,541	(13,344)
Central	285,444	315,444	314,868	576
Operation of non-instructional services:				
Other non-instructional service	-	-	1,090	(1,090)
Extracurricular activities	457,231	482,231	439,333	42,898
Facilities acquisition and construction	11,335	11,335	6,893	4,442
Total expenditures	<u>11,666,607</u>	<u>12,026,607</u>	<u>11,716,486</u>	<u>310,121</u>
Excess of expenditures over revenues	<u>(1,048,607)</u>	<u>(972,300)</u>	<u>(903,511)</u>	<u>68,789</u>
Other financing sources (uses):				
Refund of prior year's expenditures	15,000	35,000	33,200	(1,800)
Refund of prior year's receipts	(10,000)	(10,000)	-	10,000
Transfers (out)	(400,000)	(400,000)	(301,998)	98,002
Sale of capital assets	200	4,700	4,647	(53)
Total other financing sources (uses)	<u>(394,800)</u>	<u>(370,300)</u>	<u>(264,151)</u>	<u>106,149</u>
Net change in fund balance	(1,443,407)	(1,342,600)	(1,167,662)	174,938
Fund balance at beginning of year	6,173,562	6,173,562	6,173,562	-
Prior year encumbrances appropriated	131,187	131,187	131,187	-
Fund balance at end of year	<u>\$ 4,861,342</u>	<u>\$ 4,962,149</u>	<u>\$ 5,137,087</u>	<u>\$ 174,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Current assets:	
Cash with fiscal agent	\$ 132,087
Total assets.	<u>132,087</u>
Liabilities:	
Current:	
Claims payable	<u>116,407</u>
Total liabilities	<u>116,407</u>
Net assets:	
Unrestricted	<u>15,680</u>
Total net assets.	<u>\$ 15,680</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 1,521,195
Total operating revenues	<u>1,521,195</u>
Operating expenses:	
Purchased services	420,845
Claims	<u>1,146,051</u>
Total operating expenses	<u>1,566,896</u>
Operating loss	<u>(45,701)</u>
Nonoperating revenues:	
Interest revenue.	<u>2,199</u>
Total nonoperating revenues	<u>2,199</u>
Operating loss before transfers	(43,502)
Transfer in	<u>135,805</u>
Change in net assets.	92,303
Net assets (deficit) at beginning of year . .	<u>(76,623)</u>
Net assets at end of year	<u><u>\$ 15,680</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash receipts from charges for services	\$ 1,524,071
Cash payments for purchased services.	(420,845)
Cash payments for claims	<u>(1,113,061)</u>
Net cash used in operating activities.	<u>(9,835)</u>
Cash flows from noncapital financing activities:	
Cash received from transfers in	<u>135,805</u>
Net cash provided by noncapital financing activities.	<u>135,805</u>
Cash flows from investing activities:	
Interest received	<u>2,199</u>
Net cash provided by investing activities	<u>2,199</u>
Net increase in cash and cash equivalents	128,169
Cash and cash equivalents at beginning of year . . .	<u>3,918</u>
Cash and cash equivalents at end of year	<u><u>\$ 132,087</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (45,701)
Changes in assets and liabilities:	
Decrease in accounts receivable	2,876
Increase in claims payable	<u>32,990</u>
Net cash used in operating activities.	<u><u>\$ (9,835)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 332,184	\$ 43,261
Total assets.	<u>332,184</u>	<u>\$ 43,261</u>
Liabilities:		
Accounts payable.	-	\$ 145
Due to students.	-	43,116
Total liabilities	<u>-</u>	<u>\$ 43,261</u>
Net assets:		
Held in trust for scholarships	<u>332,184</u>	
Total net assets	<u>\$ 332,184</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 706
Gifts and contributions	4,681
Total additions	5,387
 Deductions:	
Scholarships awarded	6,505
Change in net assets	(1,118)
Net assets at beginning of year	333,302
Net assets at end of year	\$ 332,184

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 406th largest in the State of Ohio among 918 public school districts and community schools in terms of enrollment. It is staffed by 62 non-certified employees and 96 certified full-time teaching personnel who provide services to 1,280 students and other community members. The District currently operates 2 instructional buildings and 1 administrative building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and either (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Tolles Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan

The District participates in the Ohio School Plan (the "Plan"), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Schuett Insurance Agency, Inc., and a member of Hylant Group, Inc. Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Schuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for the accumulation of resources that are restricted for the repayment of debt.

Other governmental funds of the District are used to account for (a) financial resources that are restricted to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

D. Basis of Accounting

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

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

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

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 7).

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The permanent appropriation measure was approved July 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments approved in the fiscal year.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2011, investments were limited to non-negotiable certificates of deposit, which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, other nonmajor governmental funds and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$8,655, which includes \$1,436 assigned from other funds.

The District has cash held for construction retainage at June 30, 2011. This is reported as "cash with escrow agent" on the balance sheet and the statement of net assets.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets. The District had no interfund loans outstanding at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and notes are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

L. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

M. Net Assets

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

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

N. Prepayments

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

On the fund financial statements, reported prepayments are equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

O. Estimates

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

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted by the State of Ohio for school bus purchases. At June 30, 2011, restricted assets totaled \$3,882.

Q. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

R. Unamortized Bond Issuance Costs and Bond Premiums

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds. Using the straight-line method, which approximates the effective interest method, bond premiums are presented as an addition to the face amount of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 7,454,308	\$ 1,437,003	\$ 438,667	\$ 9,329,978
Fund reclassifications:				
Public school support fund	33,065	-	(33,065)	-
Uniform school supplies fund	<u>37,555</u>	<u>-</u>	<u>(37,555)</u>	<u>-</u>
Total fund reclassifications	<u>70,620</u>	<u>-</u>	<u>(70,620)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 7,524,928</u>	<u>\$ 1,437,003</u>	<u>\$ 368,047</u>	<u>\$ 9,329,978</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 26,782
Education management information systems	20
Title VI-B	355
Education stabilization	726
Title II-A	118

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2011 was \$132,087. This amount is not included in the "deposits" or "investments" reported below.

B. Cash with Escrow Agent

At fiscal year end, \$12,666 was on deposit in the District's escrow account and included in the total amount of deposits reported below. This amount is part of the "deposits" below and is reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits, including \$500,000 of non-negotiable certificates of deposit, was \$7,127,206. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,162,804 of the District's bank balance of \$7,186,295 was exposed to custodial risk as discussed below, while \$5,023,491 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,127,206
Cash with fiscal agent	<u>132,087</u>
Total	<u>\$ 7,259,293</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,883,848
Fiduciary funds	<u>375,445</u>
Total	<u>\$ 7,259,293</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

	<u>Amount</u>
Transfers to nonmajor governmental fund from:	
General fund	\$ 73,297
Transfers to the debt service fund from:	
General fund	92,896
Transfers to internal service fund from:	
General fund	<u>135,805</u>
Total transfers	<u>\$ 301,998</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds and the internal service fund are eliminated on the government-wide financial statements.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Madison County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$1,881,068 in the general fund, \$469,075 in the debt service fund and \$27,788 in the maintenance program fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,970,479 in the general fund, \$481,821 in the debt service fund and \$28,457 in the maintenance program fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 160,097,760	97.06	\$ 160,822,420	97.09
Public utility personal	<u>4,846,350</u>	<u>2.94</u>	<u>4,814,360</u>	<u>2.91</u>
Total	<u>\$ 164,944,110</u>	<u>100.00</u>	<u>\$ 165,636,780</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.80		\$38.80	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District currently benefits from a 1/2% income tax, which is assessed on all residents of the District. In 2011, the District income tax generated \$729,591 in revenue. Revenue generated by the school district income tax are reported in the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, income taxes, payment in lieu of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 5,688,718
Income taxes	261,416
Accounts	18,775
Payment in lieu of taxes	131,652
Intergovernmental	257,616
Accrued interest	<u>2,847</u>
Total	<u>\$ 6,361,024</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> 6/30/10	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/11
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 254,158	\$ -	\$ -	\$ 254,158
Total capital assets, not being depreciated	<u>254,158</u>	<u>-</u>	<u>-</u>	<u>254,158</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	529,474	-	-	529,474
Buildings and improvements	33,092,075	45,563	-	33,137,638
Furniture and equipment	832,803	41,332	-	874,135
Vehicles	954,748	72,870	(4,400)	1,023,218
Total capital assets, being depreciated	<u>35,409,100</u>	<u>159,765</u>	<u>(4,400)</u>	<u>35,564,465</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(262,176)	(28,741)	-	(290,917)
Buildings and improvements	(4,125,942)	(648,948)	-	(4,774,890)
Furniture and equipment	(355,043)	(50,726)	-	(405,769)
Vehicles	(507,513)	(74,142)	3,593	(578,062)
Total accumulated depreciation	<u>(5,250,674)</u>	<u>(802,557)</u>	<u>3,593</u>	<u>(6,049,638)</u>
Governmental activities capital assets, net	<u>\$ 30,412,584</u>	<u>\$ (642,792)</u>	<u>\$ (807)</u>	<u>\$ 29,768,985</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 347,215
Special	89,895
<u>Support services:</u>	
Pupil	44,073
Instructional staff	35,936
Board of education	1,102
Administration	69,830
Fiscal	17,116
Operations & maintenance	63,546
Pupil transportation	45,145
Central	15,075
Extracurricular	39,026
Food service operation	<u>34,598</u>
Total depreciation expense	<u>\$ 802,557</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/10	Additions	Reductions	Balance Outstanding 06/30/11	Amounts Due in One Year
Governmental activities:						
Energy conservation bonds	4.75%	\$ 371,800	\$ -	\$ (76,129)	\$ 295,671	\$ 79,788
General obligation bonds	1.75-5.0%	13,005,000	-	(375,000)	12,630,000	390,000
Bond anticipation notes	2.125%	1,125,000	-	(1,125,000)	-	-
Bond anticipation notes	1.000%	-	900,000	-	900,000	900,000
Compensated absences	N/A	1,005,082	172,554	(156,796)	1,020,840	122,143
Early retirement incentive	N/A	-	60,000	-	60,000	30,000
Total long-term obligations, governmental activities		<u>\$ 15,506,882</u>	<u>\$ 1,132,554</u>	<u>\$ (1,732,925)</u>	14,906,511	<u>\$ 1,521,931</u>
Unamortized premium					142,037	
Total long-term obligations					<u>\$ 15,048,548</u>	

Energy Conservation Bonds - On February 24, 2010, the District issued bonds in the amount of \$371,800. The bonds were issued for the purpose of upgrading buildings owned by the District to reduce energy consumption. The bonds were issued at 4.75% for 5 years with semi-annual payments due in June and December. The bonds are being retired from the debt service fund.

General Obligation Bonds - On March 1, 2004, the District issued \$14,600,000 in general obligation bonds to provide funds for constructing additions to and renovating and improving existing school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payment of principal and interest relating to this bond are recorded as expenditures in the debt service fund. The source of payment is derived from a current 6.9 mil bonded debt tax levy.

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

Bond Anticipation Notes - On November 10, 2010, the District issued \$900,000 in general obligation notes to retire \$1,125,000 of previously issued notes which matured on November 23, 2010. The maturity date on the new notes was November 23, 2011. These notes are general obligations of the District for which the full faith and credit of the District pledged for repayment. Principal and interest are recorded in the debt service fund. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced", the note is considered a long-term obligation since it was refinanced prior to the issuance of the financial statements (See Note 18).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Early Retirement Incentive - During the fiscal year the District offered an early retirement incentive. The Board of Education agreed to pay \$10,000 to employees of either bargaining unit whom opted to resign or retire effective at the end of the 2010 - 2011 school year. Eligibility for payment was met either by being eligible for retirement under the union's retirement system or by having reached 20 years of service credit as recognized by the District. Six employees took advantage of the early retirement incentive. The payments will be made in two separate installments; the first on July 22, 2011 and the second on July 22, 2012. At June 30, 2011 \$30,000 is due within one year and has been recorded as a liability of the general fund. The remaining balance of \$30,000 is due in greater than one year and has been included part of the District's long term obligations.

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

Fiscal Year Ending June 30	Principal on Construction Bonds	Interest on Construction Bonds	Total	Principal on Energy Conservation Bonds	Interest on Energy Conservation Bonds	Total
2012	\$ 390,000	\$ 546,931	\$ 936,931	\$ 79,788	\$ 13,108	\$ 92,896
2013	405,000	532,044	937,044	83,623	9,273	92,896
2014	415,000	517,694	932,694	87,642	5,254	92,896
2015	430,000	502,637	932,637	44,618	1,060	45,678
2016	445,000	485,944	930,944	-	-	-
2017 - 2021	2,525,000	2,137,993	4,662,993	-	-	-
2022 - 2026	3,155,000	1,474,095	4,629,095	-	-	-
2027 - 2031	3,980,000	643,781	4,623,781	-	-	-
2032	885,000	19,359	904,359	-	-	-
Total	<u>\$ 12,630,000</u>	<u>\$ 6,860,478</u>	<u>\$ 19,490,478</u>	<u>\$ 295,671</u>	<u>\$ 28,695</u>	<u>\$ 324,366</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$3,800,000 (including available funds of \$1,522,750) and an unvoted debt margin of \$165,637.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2011, the District purchased insurance coverage through the Ohio School Plan (see below):

B. Ohio School Plan

The District belongs to the Ohio School Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile and violence coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurances carriers. Only if the Plan's paid liability loss ratio exceeds 65 percent and is less than 80 percent does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010, 2009 and 2008:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets	\$ 3,859,753	\$ 3,662,470	\$ 3,273,989
Liabilities	1,732,921	1,729,914	1,873,157
Members' equity	2,126,832	1,932,556	1,400,832

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, www.ohioschoolplan.org under "Financials".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

Coverages provided to the District through the Plan are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$38,501,177
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	2,000,000
Annual aggregate limit	4,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	0
Stop Gap	
Each accident	2,000,000
Disease each employee	2,000,000
Disease policy limit	2,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	2,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	250
Collision deductible	500

Settled claims have not exceeded this commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior year.

C. Employee Group Medical/Surgical and Dental Insurance

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 74 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$116,407 reported in the internal service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2011	\$ 83,417	\$ 1,146,051	\$ (1,113,061)	\$ 116,407
2010	99,756	1,074,189	(1,090,528)	83,417

D. Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP"), an insurance purchasing pool (see Note 2.A.). 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 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. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - 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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$218,376, \$228,807 and \$160,566, respectively; 97.95 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$749,742, \$721,715 and \$704,475, respectively; 83.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$39,533 made by the District and \$28,238 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$62,452, \$42,575 and \$106,673, respectively; 97.95 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$14,053, \$13,607 and \$13,248, respectively; 97.95 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$57,672, \$55,517 and \$54,190, respectively; 83.05 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (1,167,662)
Net adjustment for revenue accruals	(106,850)
Net adjustment for expenditure accruals	(101,694)
Net adjustment for other sources/uses	(37,847)
Funds budgeted elsewhere	(4,723)
Adjustment for encumbrances	<u>129,607</u>
GAAP basis	<u>\$ (1,289,169)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund and the public school support fund.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	187,966	187,966
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(520,862)	(480,709)
Excess qualified expenditures from prior years	(1,465,834)	-
Current year offsets	-	(60,472)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	<u>-</u>	<u>-</u>
Total	<u>\$ (1,798,730)</u>	<u>\$ (353,215)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had current year qualifying disbursements and excess qualified expenditures from prior years that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 17 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 91,150
Other governmental	<u>77,244</u>
Total	<u>\$ 168,394</u>

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

On November 23, 2011, the District issued a \$675,000 bond anticipation note to retire a portion of the \$900,000 bond anticipation note issued on November 23, 2010 (See Note 10.A). This note bears an interest rate of 0.85% and matures on November 20, 2012.

SUPPLEMENTARY DATA

**JEFFERSON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Child Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2011	\$ 48,822	\$ 48,822
(D)(E) National School Lunch Program - Food Donation	10.555	2011	30,186	30,186
(C)(D) National School Lunch Program	10.555	2011	204,338	204,338
Total National School Lunch Program			<u>234,524</u>	<u>234,524</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>283,346</u>	<u>283,346</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Title I Cluster:</i>				
(F) Title I Grants to Local Educational Agencies	84.010	2010	11,928	11,928
(F) Title I Grants to Local Educational Agencies	84.010	2011	159,488	159,488
Total Title I Grants to Local Educational Agencies			<u>171,416</u>	<u>171,416</u>
(F) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	4,574	4,574
(F) ARRA Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	65,461	65,461
Total ARRA Title I Grants to Local Educational Agencies			<u>70,035</u>	<u>70,035</u>
Total Title I Cluster			<u>241,451</u>	<u>241,451</u>
<i>Special Education Cluster:</i>				
(G) Special Education_Grants to States	84.027	2011	259,337	259,337
(G) ARRA Special Education_Grants to States, Recovery Act	83.391	2010	9,200	9,200
(G) ARRA Special Education_Grants to States, Recovery Act	84.391	2011	73,866	73,866
Total ARRA Special Education_Grants to States, Recovery Act			<u>83,066</u>	<u>83,066</u>
Total Special Education Cluster			<u>342,403</u>	<u>342,403</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2011	143	143
Javits Gifted and Talented Students Education Grant Program	84.206	2010	-	3,000
ARRA Race To The Top, Recovery Act	84.395	2011	1,457	1,457
Education Technology State Grants	84.318	2010	197	197
Education Technology State Grants	84.318	2011	532	532
Total Education Technology State Grants			<u>729</u>	<u>729</u>
Improving Teacher Quality State Grants	84.367	2011	46,150	46,150
ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	311,500	311,500
Total U.S. Department of Education			<u>943,833</u>	<u>946,833</u>
Total Federal Financial Assistance			<u>\$ 1,227,179</u>	<u>\$ 1,230,179</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise Jefferson Local School District's basic financial statements and have issued our report thereon dated November 30, 2011. We noted that the Jefferson Local School District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jefferson Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Jefferson Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Jefferson Local School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Jefferson Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education
Jefferson Local School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
November 30, 2011



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

Independent Accountants' Report on Compliance With Requirements Applicable to Each of Its Major Federal Programs and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Jefferson Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Jefferson Local School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Jefferson Local School District's major federal programs. The Jefferson Local School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Jefferson Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Jefferson Local School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Jefferson Local School District's compliance with those requirements.

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

Internal Control Over Compliance

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

Board of Education
Jefferson Local School District

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

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

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
November 30, 2011

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

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

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster: Special Education_Grants to States, CFDA #84.027 and ARRA - Special Education_Grants to States, Recovery Act, CFDA #84.391; ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Jefferson Local School District (the "District") has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 12, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Julian & Grube, Inc.

Julian & Grube, Inc.
November 30, 2011



Dave Yost • Auditor of State

JEFFERSON LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 12, 2012**