



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**





# Dave Yost • Auditor of State

Board of Education  
Jefferson Area Local School District  
121 South Poplar Street  
Jefferson, Ohio 44047

We have reviewed the *Independent Accountants' Report* of the Jefferson Area Local School District, Ashtabula County, prepared by Canter & Associates, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

February 15, 2013

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**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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## INDEPENDENT ACCOUNTANTS' REPORT

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

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 Area Local School District (the District), Ashtabula County, Ohio, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Area Local School District, Ashtabula County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2012 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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* and should be considered 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 assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Federal Awards Receipts and Expenditures Schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditures Schedule was subject to the auditing procedures we applied to 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 as a whole.



**CANTER & ASSOCIATES**

Poland, Ohio

December 27, 2012

## **Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

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This discussion and analysis of Jefferson Area Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased by \$60,983, which represents an increase of less than 1 percent from fiscal year 2011.
- Revenues for governmental activities totaled \$19,782,105 in fiscal year 2012. Of this total, 83 percent consisted of general revenues while program revenues accounted for the balance of 17 percent.
- Program expenses totaled \$19,721,122. Instructional expenses made up 55 percent of this total while support services accounted for 32 percent. Other expenses rounded out the remaining 13 percent.
- The District's major governmental funds are the general fund, the bond retirement debt service fund and the classroom facilities capital projects fund. The general fund had \$15,561,751 in revenues and \$15,476,687 in expenditures. During fiscal year 2012, the general fund's fund balance decreased \$39,512 from \$3,072,150 to \$3,032,638.
- The District's other major governmental funds are the bond retirement debt service fund and the classroom facilities capital projects fund. The bond retirement fund had \$1,464,490 in revenues and \$1,410,925 in expenditures. The bond retirement fund balance increased \$53,565 during fiscal year 2012. The classroom facilities fund had \$491 in revenues and \$169,734 in expenditures. The classroom facilities fund balance decreased \$169,243 during fiscal year 2012.

### **Using this Annual Financial Report**

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

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

## **Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

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

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

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

#### *Fund Financial Statements*

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

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

# Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

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

## The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

**Table 1**  
Net Assets  
Governmental Activities

	2012	2011	Change
<b>Assets</b>			
Current and Other Assets	\$15,404,844	\$16,257,640	(\$852,796)
Capital Assets	54,085,056	54,335,084	(250,028)
<i>Total Assets</i>	<u>69,489,900</u>	<u>70,592,724</u>	<u>(1,102,824)</u>
<b>Liabilities</b>			
Current Liabilities	5,851,265	6,492,942	(641,677)
Long-Term Liabilities			
Due within One Year	701,099	608,652	92,447
Due in More than One Year	19,405,639	20,020,216	(614,577)
<i>Total Liabilities</i>	<u>25,958,003</u>	<u>27,121,810</u>	<u>(1,163,807)</u>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	35,765,488	35,934,637	(169,149)
Restricted	4,992,609	6,723,822	(1,731,213)
Unrestricted	2,773,800	812,455	1,961,345
<i>Total Net Assets</i>	<u>\$43,531,897</u>	<u>\$43,470,914</u>	<u>\$60,983</u>

Total assets decreased by \$1,102,824. This decrease can be attributed mostly to a decrease in cash and cash equivalents as construction projects completed.

Total liabilities decreased by \$1,163,807. The majority of this decrease was due to decreases in contracts payable and retainage payable related to the District's construction projects.

By comparing assets and liabilities, one can see the overall position of the School District has slightly increased as evidenced by the increase in net assets of \$60,983.

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$16,419,726 or 83 percent of the total revenue. The most significant portion of general revenue for fiscal year 2012 was grants and entitlements received from the State of Ohio, followed by property taxes. The amount of revenue received in the form of program revenues was \$3,362,379.

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2012.

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

	2012	2011	Change
<b>Revenues</b>			
<b>Program Revenues</b>			
Charges for Services and Sales	\$1,901,935	\$1,878,040	\$23,895
Operating Grants and Contributions	1,374,471	1,573,733	(199,262)
Capital Grants and Contributions	85,973	0	85,973
<i>Total Program Revenues</i>	<u>3,362,379</u>	<u>3,451,773</u>	<u>(89,394)</u>
<b>General Revenues</b>			
Property Taxes	6,909,988	6,686,172	223,816
Intergovernmental	9,437,077	9,535,614	(98,537)
Investment Earnings	4,080	9,004	(4,924)
Miscellaneous	68,581	266,849	(198,268)
<i>Total General Revenues</i>	<u>16,419,726</u>	<u>16,497,639</u>	<u>(77,913)</u>
<i>Total Revenues</i>	<u>19,782,105</u>	<u>19,949,412</u>	<u>(167,307)</u>
<b>Program Expenses</b>			
Current:			
Instruction	10,797,741	11,278,286	(480,545)
Support Services:			
Pupils	1,441,602	1,423,482	18,120
Instructional Staff	314,004	176,522	137,482
Board of Education	17,231	20,942	(3,711)
Administration	951,922	1,123,177	(171,255)
Fiscal	549,081	721,933	(172,852)
Business	11,240	12,085	(845)
Operation and Maintenance of Plant	1,632,474	1,843,686	(211,212)
Pupil Transportation	1,393,370	1,328,963	64,407
Central	71,538	109,620	(38,082)
Operation of Non-Instructional Services	125,265	154,279	(29,014)
Operation of Food Services	908,178	810,093	98,085
Extracurricular Activities	629,686	454,041	175,645
Interest and Fiscal Charges	877,790	901,540	(23,750)
<i>Total Program Expenses</i>	<u>19,721,122</u>	<u>20,358,649</u>	<u>(637,527)</u>
<i>Change in Net Assets</i>	60,983	(409,237)	470,220
Net Assets Beginning of Year	43,470,914	43,880,151	(409,237)
<i>Net Assets End of Year</i>	<u>\$43,531,897</u>	<u>\$43,470,914</u>	<u>\$60,983</u>

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

**Governmental Activities**

Net assets of the District's governmental activities increased \$60,983. Total governmental expenses of \$19,721,122 were entirely offset by program revenues of \$3,362,379 and general revenues of \$16,419,726. Program revenues supported 17 percent of total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 83 percent of total governmental revenue.

The largest expense of the District is for instructional programs. Instructional expenses totaled \$10,797,741 or 55 percent of total governmental expenses for fiscal year 2012.

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

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

	2012		2011	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<b>Program Expenses</b>				
<b>Instruction:</b>				
Regular	\$9,133,489	\$8,091,481	\$9,480,075	\$7,924,626
Special	1,440,369	805,748	1,654,189	1,253,541
Vocational	176,156	162,255	144,022	130,289
Other	47,727	7,032	0	0
<b>Support Services:</b>				
Pupils	1,441,602	1,286,822	1,423,482	1,277,097
Instructional Staff	314,004	246,606	176,522	131,771
Board of Education	17,231	15,871	20,942	18,943
Administration	951,922	806,640	1,123,177	997,414
Fiscal	549,081	501,861	721,933	656,735
Business	11,240	10,353	12,085	10,931
Operation and Maintenance of Plant	1,632,474	1,486,342	1,843,686	1,688,454
Pupil Transportation	1,393,370	1,291,598	1,328,963	1,210,063
Central	71,538	59,261	109,620	94,994
Operation of Non-Instructional Services	125,265	115,380	154,279	143,439
Food Service Operation	908,178	73,493	810,093	115,397
Extracurricular Activities	629,686	520,210	454,041	351,642
Interest and Fiscal Charges	877,790	877,790	901,540	901,540
<b>Total Expenditures</b>	<b>\$19,721,122</b>	<b>\$16,358,743</b>	<b>\$20,358,649</b>	<b>\$16,906,876</b>

The dependence upon property taxes and other general revenues for governmental activities is apparent. More than 64 percent of instruction activities are supported through property taxes. The District's taxpayers, as a whole, are by far the primary support for the District's students.

# Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

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## The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues, excluding other financing sources, of \$19,456,911 to offset expenditures, excluding other financing uses, of \$19,943,896. The net change in fund balance for the year was most significant in the classroom facilities capital projects fund, which decreased \$169,243. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, intergovernmental revenues and property taxes are the largest revenue sources, accounting for more than 56 percent and 34 percent respectively, of total governmental revenue. Clearly, the community is a great source of financial support for the students of the Jefferson Area Local School District.

### **General Fund Budgeting Highlights**

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

During the course of fiscal year 2012, the School District amended its general fund budget several times. For the general fund, original and final budgeted revenues were \$15,835,232 and \$15,964,060, respectively. Actual revenues for fiscal year 2012 were 15,964,060, which equaled final budgeted revenues.

General fund original appropriations were \$17,563,886 and final appropriations were \$17,700,612. The actual budget basis expenditures for fiscal year 2012 totaled \$15,957,537, which was \$1,743,075 lower than final budgeted appropriations.

## **Capital Assets and Debt Administration**

### **Capital Assets**

At the end of fiscal year 2012, the School District had \$54,085,056 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2012 balances compared to fiscal year 2011:

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

		RESTATED
	2012	2011
Land	\$540,800	\$540,800
Land Improvements	3,971,573	4,033,544
Buildings and Improvements	48,647,152	48,627,981
Furniture and Equipment	495,891	570,341
Vehicles	429,640	562,418
<b>Total</b>	<b>\$54,085,056</b>	<b>\$54,335,084</b>

## Jefferson Area Local School District

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

All capital assets, except land, are reported net of depreciation. The overall decrease in capital assets of \$250,028 is due to the District's depreciation expense of \$1,738,763 being only partially offset capital outlays of \$1,488,735 during the fiscal year, resulting in the overall decrease in capital assets. For more information about the School District's capital assets, see Note 10 to the basic financial statements.

### **Debt**

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

**Table 5**  
**Outstanding Debt at Year End**

	<u>2012</u>	<u>2011</u>
Ohio School Facilities Bonds	\$18,437,197	\$18,476,967
Capital Appreciation Bonds	349,889	689,979
Accretion on Capital Appreciation Bonds	213,529	347,861
1998 Energy Conservation Note	<u>55,000</u>	<u>105,000</u>
<b>Total</b>	<b><u>\$19,055,615</u></b>	<b><u>\$19,619,807</u></b>

Of the total outstanding debt, \$618,418 is due within one year and the rest is due within more than one year. For more information about the School District's debt, see Note 16 to the basic financial statements.

### **Current Financial Issues**

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

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

**Jefferson Area Local School District**

Ashtabula County, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
(Unaudited)*

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

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

# Jefferson Area Local School District

Ashtabula County, Ohio

## Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$7,317,381
Accrued Interest Receivable	667
Intergovernmental Receivable	144,355
Property Taxes Receivable	7,689,252
Inventory Held for Resale	9,881
Materials and Supplies Inventory	11,494
Prepaid Items	59,185
Unamortized Bond Issuance Costs	172,629
Nondepreciable Capital Assets	540,800
Depreciable Capital Assets, Net	53,544,256
<i>Total Assets</i>	<u>69,489,900</u>
<b>Liabilities</b>	
Accounts Payable	27,160
Accrued Wages and Benefits Payable	1,478,875
Contracts Payable	28,600
Intergovernmental Payable	450,731
Matured Compensated Absences Payable	70,286
Accrued Interest Payable	71,002
Deferred Revenue	3,724,611
Long-Term Liabilities:	
Due Within One Year	701,099
Due In More Than One Year	19,405,639
<i>Total Liabilities</i>	<u>25,958,003</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	35,765,488
Restricted for:	
Capital Projects	2,243,215
Debt Service	1,889,960
Other Purposes	858,195
Scholarships	1,239
Unrestricted	2,773,800
<i>Total Net Assets</i>	<u>\$43,531,897</u>

See accompanying notes to the basic financial statements

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

*Statement of Activities*  
*For the Fiscal Year Ended June 30, 2012*

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$9,133,489	\$581,497	\$411,979	\$48,532	(\$8,091,481)
Special	1,440,369	313,890	320,731	0	(805,748)
Vocational	176,156	13,901	0	0	(162,255)
Other	47,727	0	40,695	0	(7,032)
Support Services:					
Pupils	1,441,602	108,957	45,823	0	(1,286,822)
Instructional Staff	314,004	21,127	46,271	0	(246,606)
Board of Education	17,231	1,360	0	0	(15,871)
Administration	951,922	95,188	47,805	2,289	(806,640)
Fiscal	549,081	40,026	0	7,194	(501,861)
Business	11,240	887	0	0	(10,353)
Operation and Maintenance of Plant	1,632,474	121,274	0	24,858	(1,486,342)
Pupil Transportation	1,393,370	98,672	0	3,100	(1,291,598)
Central	71,538	5,077	7,200	0	(59,261)
Operation of Non-Instructional Services	125,265	9,885	0	0	(115,380)
Operation of Food Services	908,178	389,277	445,408	0	(73,493)
Extracurricular Activities	629,686	100,917	8,559	0	(520,210)
Interest and Fiscal Charges	877,790	0	0	0	(877,790)
<b>Total Governmental Activities</b>	<b>\$19,721,122</b>	<b>\$1,901,935</b>	<b>\$1,374,471</b>	<b>\$85,973</b>	<b>(16,358,743)</b>
<b>General Revenues</b>					
Property Taxes Levied for:					
					5,159,508
					1,314,846
					337,697
					97,937
					9,437,077
					4,080
					68,581
					<b>16,419,726</b>
					60,983
					43,470,914
					<b>\$43,531,897</b>

See accompanying notes to the basic financial statements

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

*Balance Sheet*  
*Governmental Funds*  
*June 30, 2012*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,756,507	\$1,127,125	\$2,207,854	\$1,225,895	\$7,317,381
Accrued Interest Receivable	667	0	0	0	667
Interfund Receivable	6,000	0	0	0	6,000
Intergovernmental Receivable	0	0	0	144,355	144,355
Property Taxes Receivable	5,735,962	1,480,222	0	473,068	7,689,252
Inventory Held for Resale	0	0	0	9,881	9,881
Materials and Supplies Inventory	0	0	0	11,494	11,494
Prepaid Items	59,185	0	0	0	59,185
<i>Total Assets</i>	<u>\$8,558,321</u>	<u>\$2,607,347</u>	<u>\$2,207,854</u>	<u>\$1,864,693</u>	<u>\$15,238,215</u>
<b>Liabilities</b>					
Accounts Payable	\$26,680	\$0	\$480	\$0	\$27,160
Accrued Wages and Benefits Payable	1,324,340	0	0	154,535	1,478,875
Contracts Payable	0	0	28,600	0	28,600
Intergovernmental Payable	415,731	0	0	35,000	450,731
Matured Compensated Absences Payable	70,286	0	0	0	70,286
Interfund Payable	0	0	0	6,000	6,000
Deferred Revenue	3,688,646	962,609	0	306,008	4,957,263
<i>Total Liabilities</i>	<u>5,525,683</u>	<u>962,609</u>	<u>29,080</u>	<u>501,543</u>	<u>7,018,915</u>
<b>Fund Balances</b>					
Nonspendable	60,452	0	0	22,418	82,870
Restricted	0	1,644,738	0	1,407,895	3,052,633
Committed	0	0	2,178,774	0	2,178,774
Assigned	236,683	0	0	0	236,683
Unassigned (Deficit)	2,735,503	0	0	(67,163)	2,668,340
<i>Total Fund Balances</i>	<u>3,032,638</u>	<u>1,644,738</u>	<u>2,178,774</u>	<u>1,363,150</u>	<u>8,219,300</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,558,321</u>	<u>\$2,607,347</u>	<u>\$2,207,854</u>	<u>\$1,864,693</u>	<u>\$15,238,215</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2012*

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<b>Total Governmental Fund Balances</b>	<b>\$8,219,300</b>
 <b><i>Amounts reported for governmental activities in the statement of net assets are different because</i></b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,085,056
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property Taxes	1,226,652
Intergovernmental Revenue	<u>6,000</u>
Total	1,232,652
In the statement of net assets, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.	172,629
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(71,002)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Classroom Facilities Bonds	(17,665,000)
Premium on Bonds Issued	(772,197)
Capital Appreciation Bonds	(349,889)
Accretion on Capital Appreciation Bonds	(213,529)
Long-Term Notes	(55,000)
Compensated Absences	<u>(1,051,123)</u>
Total	<u>(20,106,738)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u><b>\$43,531,897</b></u></u>

See accompanying notes to the basic financial statements

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

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$4,944,152	\$1,260,878	\$0	\$418,564	\$6,623,594
Tuition and Fees	1,321,317	0	0	0	1,321,317
Interest	2,118	666	491	805	4,080
Charges for Services	0	0	0	348,626	348,626
Extracurricular Activities	121,843	0	0	69,498	191,341
Contributions and Donations	8,559	0	0	0	8,559
Intergovernmental	9,100,009	202,946	0	1,501,885	10,804,840
Miscellaneous	63,753	0	0	90,801	154,554
<i>Total Revenues</i>	<u>15,561,751</u>	<u>1,464,490</u>	<u>491</u>	<u>2,430,179</u>	<u>19,456,911</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	7,444,814	0	0	521,655	7,966,469
Special	1,123,944	0	0	318,918	1,442,862
Vocational	176,156	0	0	0	176,156
Other	0	0	0	47,727	47,727
Support Services:					
Pupils	1,382,236	0	0	55,737	1,437,973
Instructional Staff	247,507	0	0	45,978	293,485
Board of Education	17,231	0	0	0	17,231
Administration	1,194,068	0	0	48,931	1,242,999
Fiscal	496,581	31,720	0	10,129	538,430
Business	11,240	0	0	0	11,240
Operation and Maintenance of Plant	1,495,132	0	0	84,599	1,579,731
Pupil Transportation	1,246,130	0	0	3,100	1,249,230
Central	64,338	0	0	7,200	71,538
Operation of Non-Instructional Services	125,061	0	0	0	125,061
Operation of Food Services	0	0	0	849,720	849,720
Extracurricular Activities	398,149	0	0	52,663	450,812
Capital Outlay	0	0	169,734	840,193	1,009,927
Debt Service:					
Principal Retirement	50,000	530,000	0	0	580,000
Interest and Fiscal Charges	4,100	849,205	0	0	853,305
<i>Total Expenditures</i>	<u>15,476,687</u>	<u>1,410,925</u>	<u>169,734</u>	<u>2,886,550</u>	<u>19,943,896</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>85,064</u>	<u>53,565</u>	<u>(169,243)</u>	<u>(456,371)</u>	<u>(486,985)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	0	1,500,263	1,500,263
Transfers Out	(124,576)	0	0	(1,375,687)	(1,500,263)
<i>Total Other Financing Sources (Uses)</i>	<u>(124,576)</u>	<u>0</u>	<u>0</u>	<u>124,576</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(39,512)	53,565	(169,243)	(331,795)	(486,985)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	3,072,150	1,591,173	2,348,017	1,694,945	8,706,285
<i>Fund Balances (Deficit) End of Year</i>	<u>\$3,032,638</u>	<u>\$1,644,738</u>	<u>\$2,178,774</u>	<u>\$1,363,150</u>	<u>\$8,219,300</u>

See accompanying notes to the basic financial statements

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

**Net Change in Fund Balances - Total Governmental Funds** (\$486,985)

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	1,488,735	
Current Year Depreciation	(1,738,763)	
<b>Total</b>		<b>(250,028)</b>

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

Property Taxes	286,394	
Intergovernmental Revenue	(1,851)	
<b>Total</b>		<b>284,543</b>

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 580,000

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

Accrued Interest on Bonds	214	
Accreted Interest on Capital Appreciation Bonds	(55,578)	
Amortization of Bond Issuance Premium	39,770	
Amortization of Bond Issuance Costs	(8,891)	
<b>Total</b>		<b>(24,485)</b>

Some expenses reported in the statement of activities, such as compensated absences payable, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (42,062)

*Change in Net Assets of Governmental Activities* **\$60,983**

See accompanying notes to the basic financial statements

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

*Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property Taxes	\$4,650,166	\$5,019,967	\$5,019,967	\$0
Tuition and Fees	1,327,941	1,303,167	1,303,167	0
Interest	1,484	1,451	1,451	0
Extracurricular Activities	54,078	52,863	52,863	0
Contributions and Donations	8,756	8,559	8,559	0
Intergovernmental	9,308,986	9,101,034	9,101,034	0
Miscellaneous	59,395	52,593	52,593	0
<i>Total Revenues</i>	<u>15,410,806</u>	<u>15,539,634</u>	<u>15,539,634</u>	<u>0</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	8,016,858	8,116,253	7,638,228	478,025
Special	1,326,129	1,339,662	1,143,898	195,764
Vocational	184,353	189,720	175,978	13,742
Support Services:				
Pupils	1,565,780	1,610,005	1,427,876	182,129
Instructional Staff	261,945	269,572	214,025	55,547
Board of Education	30,287	28,959	19,431	9,528
Administration	1,314,363	1,347,216	1,230,594	116,622
Fiscal	646,423	656,362	556,304	100,058
Business	15,061	15,500	13,870	1,630
Operation and Maintenance of Plant	1,888,042	1,814,826	1,581,641	233,185
Pupil Transportation	1,481,400	1,476,889	1,313,196	163,693
Central	137,522	130,250	61,689	68,561
Operation of Non-Instructional Services	82,367	84,765	77,631	7,134
Extracurricular Activities	435,056	442,333	392,569	49,764
Debt Service:				
Principal Retirement	50,000	50,000	50,000	0
Interest and Fiscal Charges	4,300	4,300	4,100	200
<i>Total Expenditures</i>	<u>17,439,886</u>	<u>17,576,612</u>	<u>15,901,030</u>	<u>1,675,582</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(2,029,080)</u>	<u>(2,036,978)</u>	<u>(361,396)</u>	<u>1,675,582</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	424,426	424,426	424,426	0
Advances Out	(6,000)	(6,000)	(6,000)	0
Transfers Out	(118,000)	(118,000)	(50,507)	67,493
<i>Total Other Financing Sources (Uses)</i>	<u>300,426</u>	<u>300,426</u>	<u>367,919</u>	<u>67,493</u>
<i>Net Change in Fund Balance</i>	(1,728,654)	(1,736,552)	6,523	1,743,075
<i>Fund Balance Beginning of Year</i>	2,266,039	2,266,039	2,266,039	0
<i>Prior Year Encumbrances Appropriated</i>	226,762	226,762	226,762	0
<i>Fund Balance End of Year</i>	<u>\$764,147</u>	<u>\$756,249</u>	<u>\$2,499,324</u>	<u>\$1,743,075</u>

See accompanying notes to the basic financial statements

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

*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2012*

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	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$40,427	\$29,737
<b>Liabilities</b>		
Due to Students	0	\$29,737
<b>Net Assets</b>		
Held in Trust for Scholarships	\$40,427	

See accompanying notes to the basic financial statements

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

*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2012*

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	<u>Scholarship</u>
<b>Additions</b>	
Interest	\$8
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>3,000</u>
<i>Change in Net Assets</i>	(2,992)
<i>Net Assets Beginning of Year</i>	<u>43,419</u>
<i>Net Assets End of Year</i>	<u><u>\$40,427</u></u>

See accompanying notes to the basic financial statements

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

The District employed 120 certified employees and 98 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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

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

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

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

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

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

**A. Fund Accounting**

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

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

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

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

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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***B. Basis of Presentation***

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

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

***Fund Financial Statements*** 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***C. Basis of Accounting***

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

***E. Cash and Investments***

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

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

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, all investment earnings accrue to the General Fund, the Bond Retirement debt service fund, the Classroom Facilities Maintenance special revenue fund, the Permanent Fund, the Classroom Facilities capital projects fund and the Private-Purpose Trust Fund, as authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$2,118, of which \$664 was assigned from other District funds.

***F. Inventories***

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

***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. See Note 20 for additional information regarding set asides.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**H. Capital Assets**

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

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

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

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

**I. Interfund Balances**

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

**J. Interfund Activity**

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

**K. Compensated Absences**

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

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

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

***M. Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

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

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

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

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

***N. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$4,992,609, of which none is restricted by enabling legislation. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

***O. Bond Issuance Costs***

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

***P. Bond Premium***

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**R. Estimates**

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

**Note 3 – Restatement of Prior Year Fund Balance & Net Assets**

**A. Restatement of Prior Year Fund Balance**

	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2011	\$3,072,150	\$1,591,173	\$2,159,107	\$1,694,945	\$8,517,375
Adjustment to Cash	0	0	188,910	0	188,910
Adjusted Fund Balance at June 30, 2011	<u>\$3,072,150</u>	<u>\$1,591,173</u>	<u>\$2,348,017</u>	<u>\$1,694,945</u>	<u>\$8,706,285</u>

During fiscal year 2012, the District restated the cash balance in the classroom facilities fund by \$188,910 to account for changes made related to the Ohio School Facilities Project.

**B. Restatement of Prior Year Net Assets**

	Governmental Activities
Net Assets at June 30, 2011	\$42,188,910
Adjustment to Cash	188,910
Adjustment to Capital Assets	1,093,094
Adjusted Net Assets at June 30, 2011	<u>\$43,470,914</u>

During fiscal year 2012, the District restated the cash balance in the classroom facilities fund by \$188,910 to account for changes made related to the Ohio School Facilities Project.

During fiscal year 2012, the District contracted with Valuation Engineers, Inc. to evaluate, calculate and summarize all District capital assets as a result of the completion of the School Facilities construction projects. During the evaluation, the District also increased their capitalization threshold from \$2,500 to \$5,000. The result was an overall increase in the value of District's capital assets by \$1,093,094.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 4 – Accountability**

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor Governmental Funds:</u>	<u>Deficit</u>
Education Jobs Fund	\$48,504
Race to the Top Fund	6,117

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

**Note 5 – Budgetary Basis of Accounting**

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

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

Net Change in Fund Balance	
GAAP Basis	(\$39,512)
Net Adjustment for Revenue Accruals	(37,260)
Advances In	424,426
Net Adjustment of Funds Budgeted as Special Revenue	15,143
Net Adjustment for Expenditure Accruals	(162,951)
Advances Out	(6,000)
Adjustment for Encumbrances	<u>(187,323)</u>
Budget Basis	<u><u>\$6,523</u></u>

**Note 6 – Cash and Investments**

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local government;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
  7. The State Treasurer's investment pool (STAROhio);
  8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end the carrying amount of the District's deposits was \$6,568,184, and \$5,871,840 of the School District's bank balance of \$6,621,840 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments**

As of June 30, 2012, the School District had the following investments. All investments are in an internal investment pool.

	<u>Fair Value</u>	<u>Maturity</u>
<b>Categorized Investments:</b>		
<b>Government &amp; Agency Mutual Funds</b>	<u><u>\$819,361</u></u>	<b>Six Months or Less</b>

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

**Credit Risk** As of June 30, 2012, the School District's investments in Mutual Funds were rated AAA-mf by Moody's and AAAm by Standard & Poors. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

**Concentration of Credit Risk** The School District places no limit on the account it may invest in any one issuer. The following is the School District's allocation as of June 30, 2012:

<u>Investment</u>	<u>Percentage of Investment</u>
Government & Agency Mutual Funds	<u>100.00%</u>

**Note 7 – Property Tax**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Ashtabula County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

The amount available as an advance at June 30, 2012 was \$2,047,316 in the general fund, \$517,613 in the bond retirement debt service fund, \$126,777 in the permanent improvement capital projects fund and \$46,283 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011 was \$2,123,131 in the general fund, \$561,447 in the bond retirement debt service fund, \$113,709 in the permanent improvement capital projects fund and \$64,885 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$240,081,140	96.8%	\$230,483,190	96.3%
Public Utility Personal	7,862,190	3.2%	8,802,890	3.7%
	\$247,943,330	100.0%	\$239,286,080	100.0%
Tax Rate per \$1,000 of assessed valuation	\$54.73		\$54.73	

**Note 8 – Receivables**

Receivables at June 30, 2012 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

<b>Non-major Governmental Funds:</b>	
<b>Federal Lunchroom Subsidy</b>	<b>\$56,109</b>
<b>Education Jobs Grant</b>	<b>32,772</b>
<b>Race to the Top Grant</b>	<b>6,000</b>
<b>Title I Grant</b>	<b>35,357</b>
<b>Reducing Class Size Grant</b>	<b>14,117</b>
<b>Total Intergovernmental Receivable</b>	<b>\$144,355</b>

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**Note 9 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<b><i>Nonspendable</i></b>					
Inventory	\$0	\$0	\$0	\$21,375	\$21,375
Prepays	59,185	0	0	0	59,185
Unclaimed Funds	1,267	0	0	0	1,267
Permanent Fund Principal	0	0	0	1,043	1,043
<b><i>Total Nonspendable</i></b>	<b>60,452</b>	<b>0</b>	<b>0</b>	<b>22,418</b>	<b>82,870</b>
<b><i>Restricted for</i></b>					
College Scholarships	0	0	0	196	196
Classroom Maintenance	0	0	0	892,919	892,919
Athletics & Music	0	0	0	60,772	60,772
Special Education	0	0	0	8,534	8,534
Classroom Size Reduction	0	0	0	15,427	15,427
Debt Service Payments	0	1,644,738	0	0	1,644,738
Capital Improvements	0	0	0	430,047	430,047
<b><i>Total Restricted</i></b>	<b>0</b>	<b>1,644,738</b>	<b>0</b>	<b>1,407,895</b>	<b>3,052,633</b>
<b><i>Committed to</i></b>					
Capital Improvements	0	0	2,178,774	0	2,178,774
<b><i>Assigned to</i></b>					
Other Purposes	69,860	0	0	0	69,860
Encumbrances	166,823	0	0	0	166,823
<b><i>Total Assigned</i></b>	<b>236,683</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>236,683</b>
<b><i>Unassigned (Deficit)</i></b>	<b>2,735,503</b>	<b>0</b>	<b>0</b>	<b>(67,163)</b>	<b>2,668,340</b>
<b><i>Total Fund Balances</i></b>	<b>\$3,032,638</b>	<b>\$1,644,738</b>	<b>\$2,178,774</b>	<b>\$1,363,150</b>	<b>\$8,219,300</b>

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**Note 10 – Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	RESTATED Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
<b>Governmental Activities</b>				
<b>Capital Assets, not being depreciated:</b>				
Land	\$540,800	\$0	\$0	\$540,800
<b>Capital Assets, being depreciated:</b>				
Land Improvements	4,359,427	160,000	0	4,519,427
Buildings and Improvements	51,469,545	1,320,635	0	52,790,180
Furniture, Equipment and Fixtures	809,709	8,100	0	817,809
Vehicles	1,765,689	0	0	1,765,689
<b>Total Capital Assets, being depreciated:</b>	<b>58,404,370</b>	<b>1,488,735</b>	<b>0</b>	<b>59,893,105</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(325,883)	(221,971)	0	(547,854)
Buildings and Improvements	(2,841,564)	(1,301,464)	0	(4,143,028)
Furniture, Equipment and Fixtures	(239,368)	(82,550)	0	(321,918)
Vehicles	(1,203,271)	(132,778)	0	(1,336,049)
<b>Total Accumulated Depreciation</b>	<b>(4,610,086)</b>	<b>(1,738,763)</b>	<b>0</b>	<b>(6,348,849)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>53,794,284</b>	<b>(250,028)</b>	<b>0</b>	<b>53,544,256</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$54,335,084</b>	<b>(\$250,028)</b>	<b>\$0</b>	<b>\$54,085,056</b>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$1,375,346
<b>Support Services:</b>	
Instructional Staff	295
Administration	15,676
Operation and Maintenance of Plant	11,032
Pupil Transportation	139,850
Operation of Food Services	17,690
Extracurricular Activities	178,874
<b>Total Depreciation Expense</b>	<b>\$1,738,763</b>

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**Note 11 – Interfund Activity**

**A. Interfund Transfers**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers To</u>	<u>Transfers From</u>		Total
	General	Nonmajor Governmental Funds	
<i>Nonmajor Governmental Funds:</i>			
Permanent Improvement Fund	\$0	\$342,010	\$342,010
Building Fund	0	1,033,677	1,033,677
Food Service Fund	46,224	0	46,224
Emergency Management Information Systems Fund	1,464	0	1,464
Title I	66,426	0	66,426
Drug Free School Grant Fund	1,582	0	1,582
Improving Teacher Quality Fund	4,566	0	4,566
Miscellaneous Federal Grants Fund	4,314	0	4,314
<b>Total</b>	<u>\$124,576</u>	<u>\$1,375,687</u>	<u>\$1,500,263</u>

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

**B. Interfund Receivable/Payable**

The interfund receivable/payable consisted of the following at June 30, 2012, as reported on the fund financial statements:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<b>Major Governmental Fund:</b>		
General	\$6,000	\$0
<b>Non-major Governmental Fund:</b>		
Education Jobs Fund	0	6,000
	<u>\$6,000</u>	<u>\$6,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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**Note 12 – Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. For fiscal year 2012, the superintendent was granted twenty days of vacation and the Treasurer is granted fifteen days of vacation.

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

The classified personnel accumulate vacation based on the following schedule:

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

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

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

**Note 13 - Defined Benefit Pension Plans**

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$285,095, \$266,530, and \$291,222, respectively; 45 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can 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](http://www.strsoh.org).

Plan Options - New members have a choice of three retirement plan; 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 multiplies by a percentage that varies based on years of service, or an allowance based on a member's 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 lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by the Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010, were \$917,246, \$986,040, and \$965,655, respectively; 83 percent has been contributed for fiscal year 2012, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2011 and 2010.

Contributions made to STRS Ohio for the DC and Combined Plans for fiscal year 2012 were \$39,469 made by the School District and \$28,192 made by the plan members.

**Note 14 - Postemployment Benefits**

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

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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Medicare Part B Plan – The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75 percent. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$16,836, \$17,152 and \$17,318, respectively, which equaled the required contributions each year.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the fiscal year ended June 30, 2012, the health care allocation is 0.55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$47,351, \$67,276 and \$43,674, respectively; 45 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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

Plan Description – The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined Pension Plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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premiums. The Plan is included in STRS Ohio's financial report which may be obtained by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** – Ohio law authorizes STRS Ohio to offer Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal year ended June 30, 2012, 2011 and 2010 were \$70,557, \$75,849, and \$74,281, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**Note 15 – Risk Management**

***A. Comprehensive***

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$61,419,280 and \$125,000 in equipment breakdown coverage.

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

***B. Employee Medical Benefits***

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

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

**C. Workers' Compensation**

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

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

**Note 16 – Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2012, are as follows:

<b>Governmental-Type Activities</b>	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts due in One Year
<b>General Obligation Bonds</b>					
2006 Ohio School Facilities Bonds:					
Current Interest Serial Bonds	\$6,410,000	\$0	\$0	\$6,410,000	\$0
Current Interest Term Bonds	11,255,000	0	0	11,255,000	0
Unamortized Premium	811,967	0	39,770	772,197	0
Capital Appreciation Bonds	689,979	0	340,090	349,889	349,889
Accretion on Capital Appreciation Bonds	347,861	55,578	189,910	213,529	213,529
<b>Total General Obligation Bonds</b>	<b>19,514,807</b>	<b>55,578</b>	<b>569,770</b>	<b>19,000,615</b>	<b>563,418</b>
<b>Other Long-Term Obligations:</b>					
Energy Conservation Note	105,000	0	50,000	55,000	55,000
Compensated Absences	1,009,061	70,714	28,652	1,051,123	82,681
<b>Total Other Long-Term Obligations</b>	<b>1,114,061</b>	<b>70,714</b>	<b>78,652</b>	<b>1,106,123</b>	<b>137,681</b>
<b>Total Long-Term Obligations</b>	<b>\$20,628,868</b>	<b>\$126,292</b>	<b>\$648,422</b>	<b>\$20,106,738</b>	<b>\$701,099</b>

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

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The 2006 general obligation bonds include capital appreciation bonds. This year the addition on these bonds aggregating \$55,578 represents the accretion of discounted interest. The final maturity of these bonds is \$1,115,000.

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

Compensated absences will be paid from the general fund and the food service, Education Jobs, Title I and Improving Teacher Quality special revenue funds.

The School District's overall legal debt margin was \$5,110,596 with an unvoted debt margin of \$215,357 at June 30, 2012. Principal requirements to retire general obligation debt and long-term notes and loans outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds					
	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$0	\$849,205	\$849,205	\$349,889	\$235,111	\$585,000
2014	585,000	837,505	1,422,505	0	0	0
2015	610,000	813,605	1,423,605	0	0	0
2016	645,000	788,505	1,433,505	0	0	0
2017	670,000	758,855	1,428,855	0	0	0
2018 - 2022	3,900,000	3,242,275	7,142,275	0	0	0
2023 - 2027	4,980,000	2,141,358	7,121,358	0	0	0
2028 - 2032	6,275,000	810,635	7,085,635	0	0	0
<b>Total</b>	<b>\$17,665,000</b>	<b>\$10,241,943</b>	<b>\$27,906,943</b>	<b>\$349,889</b>	<b>\$235,111</b>	<b>\$585,000</b>

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2013	\$55,000	\$1,409	\$56,409

**Note 17 – Jointly Governed Organizations**

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2012. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained by contacting the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446-4603.

**Jefferson Area Local School District**  
Ashtabula County

*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

**Ashtabula County Joint Vocational School District** The Ashtabula County Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the participating School Districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board is its own budgeting and taxing authority. The School District did not make any contributions in fiscal year 2012. Financial information can be obtained from Mary Ann Wayman, Treasurer at Ashtabula County Joint Vocational School District, 1565 State Route 167, Jefferson, Ohio 44047.

**Note 18 – Insurance Purchasing Pool**

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

**Note 19 – Contingencies**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2012.

**B. Litigation**

The District is not currently party to any legal proceedings at June 30, 2012.

**Note 20 – Set Asides**

In prior years, the District was required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials. However, this State statute was repealed by 129th General Assembly, File No. 8, HB 30, § 2, eff. 7/1/11.

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

**Jefferson Area Local School District**  
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*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2012*

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

	Capital		Budget
	<u>Textbooks</u>	<u>Improvements</u>	<u>Stabilization</u>
Set-Aside Reserve Balance as of June 30, 2011	\$1,659,484	\$0	\$1,922
Current Year Set-Aside Requirement	0	336,824	0
Qualifying Disbursements	0	(791,009)	0
State Statute Repealed, Effective 7/1/11	(1,659,484)	0	0
Current year offsets	0	(648,220)	(1,922)
<b>Total</b>	<u>\$0</u>	<u>(\$1,102,405)</u>	<u>\$0</u>
Set-Aside Balance Carried Forward to			
Future Fiscal Years	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Cash balance as of June 30, 2012	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

**Note 21 – Operating Lease**

The District entered into a lease for copy machines commencing October 2009 for 60 months. Total expenditures on this lease for the fiscal year ended June 30, 2012 were \$19,644. Future minimum payments for the lease are as follows:

<u>Fiscal Year Ending June 30,</u>	
2013	\$19,644
2014	19,644
2015	<u>4,911</u>
Total	<u>\$44,199</u>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Grant Year</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
Non-Cash Assistance (Food Distribution)				
National School Lunch Program	FY 2012	10.555	\$48,963	\$48,963
Cash Assistance:				
National School Lunch Program	FY 2012	10.555	301,319	301,319
National School Breakfast Program	FY 2012	10.553	<u>77,737</u>	<u>77,737</u>
Total - Nutrition Cluster			<u><b>428,019</b></u>	<u><b>428,019</b></u>
Total U.S. Department of Agriculture			<b>428,019</b>	<b>428,019</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies Cluster:				
Title I Grants to Local Educational Agencies	FY 2011	84.010	28,262	33,666
Title I Grants to Local Educational Agencies	FY 2012	84.010	<u>246,040</u>	<u>245,805</u>
Total Title I Grants to Local Educational Agencies Cluster			<b>274,302</b>	<b>279,471</b>
Safe and Drug Free Schools and Communities Grant	FY 08	84.186		<b>1,793</b>
State Grants for Innovative Programs	FY08	84.298		<b>425</b>
Improving Teacher Quality State Grants	FY 2011	84.367	12,167	13,933
Improving Teacher Quality State Grants	FY 2012	84.367	<u>63,360</u>	<u>63,174</u>
Total Improving Teacher Quality State Grants			<b>75,527</b>	<b>77,107</b>
Educational Technology State Grants	FY 2012	84.318	<b>2,136</b>	<b>2,136</b>
ARRA State Fiscal Stabilization Fund	FY 2011	84.394		<b>122,179</b>
ARRA- Race to the Top	FY2012	84.395A	73,376	73,376
ARRA - Race to the Top - Expanding Advanced Placement	FY2012	84.395A		6,000
Total Race to the Top			<u><b>73,376</b></u>	<u><b>79,376</b></u>
Education Jobs	FY2012	84.410	<u><b>436,651</b></u>	<u><b>436,651</b></u>
Total U.S. Department of Education			<u><b>861,992</b></u>	<u><b>999,138</b></u>
<b>Total</b>			<u><u><b>\$1,290,011</b></u></u>	<u><u><b>\$1,427,157</b></u></u>

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award program's receipts and disbursements. The Schedule has been prepared on a cash basis of accounting.

**NOTE B- CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATED PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

**NOTE D – MATCHING REQUIREMENTS**

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



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**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

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 Area Local School District (the District), Ashtabula County, Ohio as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and 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 to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the 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 Board of Education, management, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**CANTER & ASSOCIATES**  
Poland, Ohio  
December 27, 2012



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Jefferson Area Local School District (the District), Ashtabula County, 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 Area Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure about 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 District's compliance with these 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 District's compliance with these requirements.

In our opinion, the Jefferson Area Local School District, Ashtabula County, 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 year ended June 30, 2012.

**Internal Control Over Compliance**

The 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 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 District's internal control over compliance.

Jefferson Area Local School District

Independent Accountants' Report On Compliance With Requirements That Could Have

A Direct And Material Effect On Each Major Federal Program And On Internal Control Over  
Compliance In Accordance With OMB Circular A-133

PAGE 2

*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 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 management, the Board of Education, others within the District, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**CANTER & ASSOCIATES**

Poland, Ohio

December 27, 2012

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
YEAR ENDED JUNE 30, 2012**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	UNQUALIFIED
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	UNQUALIFIED
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – 10.555 / 10.553; State Fiscal Stabilization Fund – 84.394; Education Jobs – 84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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NONE

<b>3. FINDINGS FOR FEDERAL AWARDS</b>
---------------------------------------

NONE



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## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

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

1. In our report dated December 29, 2011, we noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within the definition of harassment, intimidation or bullying.
2. The Board amended the policy on September 20, 2012. We read the policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666

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.

*Canter & Assoc*

Canter and Associates  
Poland, Ohio  
December 27, 2012



# Dave Yost • Auditor of State

**JEFFERSON AREA LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 5, 2013**