



Dave Yost • Auditor of State



**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jefferson Local School District  
Madison County  
906 West Main Street  
West Jefferson, Ohio 43162

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Local School District, Madison County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Local School District, Madison County, Ohio, as of June 30, 2013, and the respective changes in financial position and where applicable cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

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

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule 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 schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 5, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The management's discussion and analysis of the Jefferson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities increased \$67,308 which represents a 0.29% increase from fiscal year 2012.
- General revenues accounted for \$11,687,059 in revenue or 80.70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,794,897 or 19.30% of total revenues of \$14,481,956.
- The District had \$14,414,648 in expenses related to governmental activities; \$2,794,897 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,687,059 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$11,674,479 in revenues and other financing sources and \$12,132,313 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$457,834 from a fund balance of \$6,193,860 to \$5,736,026.
- The debt service fund, had \$13,810,227 in revenues and other financing sources and \$13,895,977 in expenditures and other financing uses. During fiscal year 2013, the debt service fund's fund balance decreased \$85,750 from \$1,665,703 to \$1,579,953.

**Using the Basic Financial Statements**

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

***Governmental Funds***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

***Proprietary Funds***

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

***Reporting the District's Fiduciary Responsibilities***

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-57 of this report.

***The District as a Whole***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	<b>Net Position</b>	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 12,871,221	\$ 13,157,237
Capital assets, net	<u>28,916,078</u>	<u>29,044,583</u>
Total assets	<u>41,787,299</u>	<u>42,201,820</u>
<b><u>Deferred outflows</u></b>		
Unamortized deferred charges on debt refunding	<u>967,240</u>	<u>-</u>
Total deferred outflows	<u>967,240</u>	<u>-</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,806,253	1,424,099
Long-term liabilities	<u>14,190,850</u>	<u>14,264,912</u>
Total liabilities	<u>15,997,103</u>	<u>15,689,011</u>
<b><u>Deferred inflows</u></b>		
Property taxes levied for the next fiscal year	2,936,188	2,845,322
Payment in lieu of taxes levied for the next fiscal year	<u>269,735</u>	<u>183,282</u>
Total deferred inflows	<u>3,205,923</u>	<u>3,028,604</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	16,737,660	15,913,700
Restricted	1,891,819	2,039,693
Unrestricted	<u>4,922,034</u>	<u>5,530,812</u>
Total net position	<u>\$ 23,551,513</u>	<u>\$ 23,484,205</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$23,551,513.

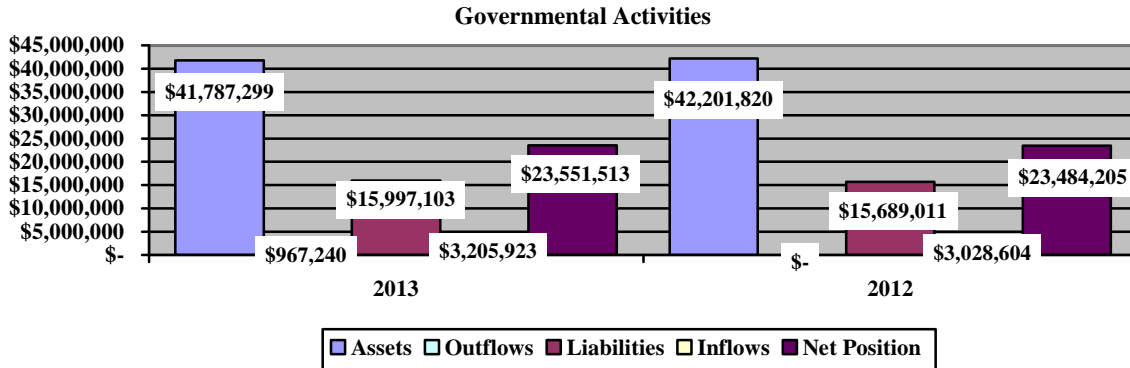
At year end, capital assets represented 69.20% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Net investment in capital assets at June 30, 2013, was \$16,737,660. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,891,819, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$4,922,034 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The graph below shows the District's assets, deferred outflows, liabilities, deferred inflows and net position at June 30, 2013 and 2012:



The table below shows the change in net position for fiscal year 2013 and 2012.

**Change in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 1,405,433	\$ 1,328,636
Operating grants and contributions	1,384,586	1,311,456
Capital grants and contributions	4,878	7,333
General revenues:		
Property taxes	5,400,481	5,460,399
School District income tax	915,675	773,437
Grants and entitlements	4,374,674	4,466,552
Payment in lieu of taxes	960,395	839,260
Investment earnings	6,090	8,307
Other	29,744	8,134
<b>Total revenues</b>	<b>\$ 14,481,956</b>	<b>\$ 14,203,514</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**Change in Net Position**

	<u>Governmental Activities 2013</u>	<u>Governmental Activities 2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,524,946	\$ 5,738,082
Special	1,778,583	1,749,124
Support services:		
Pupil	643,051	679,745
Instructional staff	576,222	572,420
Board of education	100,429	73,199
Administration	912,453	954,040
Fiscal	485,566	491,353
Business	36,588	62,999
Operations and maintenance	1,325,839	1,127,347
Pupil transportation	738,373	661,778
Central	373,169	323,123
Operations of non-instructional services:		
Other non-instructional services	293	10,000
Food service operations	692,060	695,002
Extracurricular activities	661,262	573,149
Bond issuance costs	201,211	-
Interest and fiscal charges	<u>364,603</u>	<u>568,135</u>
Total expenses	<u>14,414,648</u>	<u>14,279,496</u>
Change in net assets	67,308	(75,982)
Net position at beginning of year	<u>23,484,205</u>	<u>23,560,187</u>
Net position at end of year	<u>\$ 23,551,513</u>	<u>\$ 23,484,205</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$67,308. Total governmental expenses of \$14,414,648 were offset by program revenues of \$2,794,897 and general revenues of \$11,687,059. Program revenues supported 19.39% of the total governmental expenses.

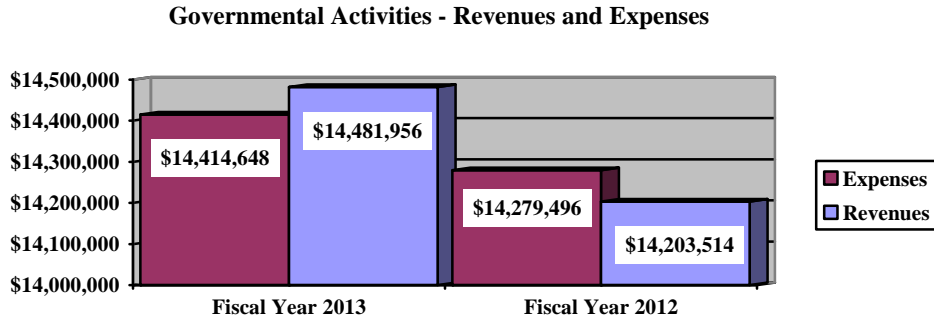
The primary sources of revenue for governmental activities are derived from property taxes, school district income taxes and grants and entitlements. These revenue sources represent 73.82% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,303,529 or 50.67% of total governmental expenses for fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2013 and 2012.



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2013 and 2012.

**Governmental Activities**

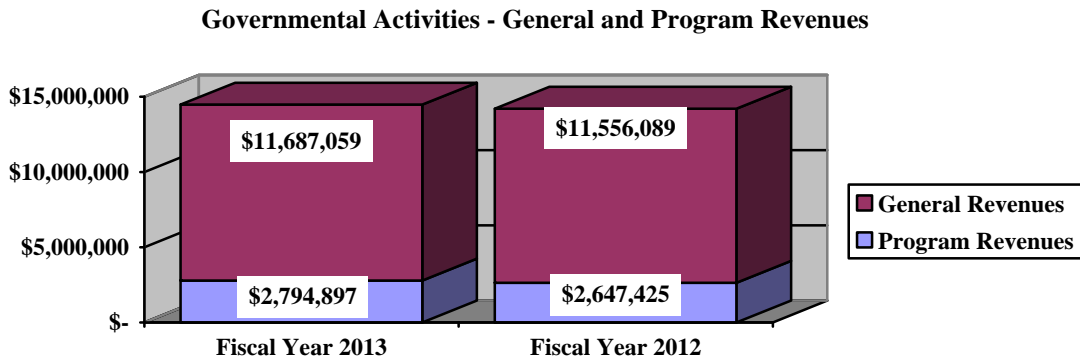
	Total Cost of Services 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,524,946	\$ 4,623,709	\$ 5,738,082	\$ 4,956,367
Special	1,778,583	1,040,815	1,749,124	1,074,040
Support services:				
Pupil	643,051	445,574	679,745	468,880
Instructional staff	576,222	537,340	572,420	523,516
Board of education	100,429	100,429	73,199	73,199
Administration	912,453	852,380	954,040	894,811
Fiscal	485,566	485,566	491,353	491,353
Business	36,588	36,588	62,999	62,999
Operations and maintenance	1,325,839	1,317,991	1,127,347	1,116,453
Pupil transportation	738,373	703,765	661,778	637,995
Central	373,169	367,769	323,123	315,944
Operations of non-instructional services:				
Other non-instructional services	293	293	10,000	10,000
Food service operations	692,060	106,451	695,002	56,824
Extracurricular activities	661,262	435,267	573,149	381,555
Bond issuance costs	201,211	201,211	-	-
Interest and fiscal charges	364,603	364,603	568,135	568,135
<b>Total expenses</b>	<b>\$ 14,414,648</b>	<b>\$ 11,619,751</b>	<b>\$ 14,279,496</b>	<b>\$ 11,632,071</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent, 77.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.61%. The District's taxpayers, and grants and entitlements received from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2013 and 2012.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$7,599,051, which is lower than last year's balance of \$8,148,850. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	<u>Fund Balance June 30, 2013</u>	<u>Fund Balance June 30, 2012</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 5,736,026	\$ 6,193,860	\$ (457,834)	(7.39) %
Debt Service	1,579,953	1,665,703	(85,750)	(5.15) %
Other Governmental	<u>283,072</u>	<u>289,287</u>	<u>(6,215)</u>	(2.15) %
Total	<u>\$ 7,599,051</u>	<u>\$ 8,148,850</u>	<u>\$ (549,799)</u>	(6.75) %



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

**General Fund**

The District's general fund balance decreased \$457,834. The table that follows assists in illustrating the financial activities of the general fund.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,260,583	\$ 5,075,460	\$ 185,123	3.65 %
Tuition	845,971	765,692	80,279	10.48 %
Earnings on investments	8,195	6,096	2,099	34.43 %
Intergovernmental	4,476,869	4,557,861	(80,992)	(1.78) %
Other revenues	<u>970,900</u>	<u>834,526</u>	<u>136,374</u>	16.34 %
Total	<u>\$ 11,562,518</u>	<u>\$ 11,239,635</u>	<u>\$ 322,883</u>	2.87 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,742,013	\$ 6,748,254	\$ (6,241)	(0.09) %
Support services	4,502,752	4,007,662	495,090	12.35 %
Non-instructional services	293	10,000	(9,707)	(97.07) %
Extracurricular activities	424,099	375,390	48,709	12.98 %
Facilities acquisition and construction	36,932	15,460	21,472	138.89 %
Capital outlay	111,961	-	111,961	100.00 %
Debt service	<u>26,970</u>	<u>-</u>	<u>26,970</u>	100.00 %
Total	<u>\$ 11,845,020</u>	<u>\$ 11,156,766</u>	<u>\$ 688,254</u>	6.17 %

The increase in tax revenues is due to the increase in the amount of property tax and income tax revenues received during the year compared to the prior year. The decrease in intergovernmental revenue is due to a decrease in revenues related to tangible personal property tax loss. The overall increase in support service expenditures is related to personnel costs. The increase in capital outlay and debt service expenditures is due to the District's new 2013 lease purchase obligation.

**Debt Service Fund**

The debt service fund had \$13,810,227 in revenues and other financing sources and \$13,895,977 in expenditures and other financing uses. During fiscal year 2013, the debt service fund's fund balance decreased \$85,750 or 5.15% under the 2012 fund balance. The overall decrease in fund balance is due to the payoff of bond anticipation notes during the year.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2013, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,752,794 and final budgeted revenues and other financing sources were \$11,227,234. Actual revenues and other financing sources for fiscal year 2013 were \$11,351,348. This represents a \$124,114 increase from final budgeted revenues and other financing sources.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
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General fund original and final appropriations (appropriated expenditures including other financing uses) were \$12,244,244. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$12,252,371, which was \$8,127 above the budgeted appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$28,916,078 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2013 balances compared to 2012:

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

	Governmental Activities	
	2013	2012
	Land	\$ 254,158
Land improvements	189,840	209,816
Building and improvements	27,633,045	27,769,440
Furniture and equipment	499,213	434,585
Vehicles	339,822	376,584
Total	\$ 28,916,078	\$ 29,044,583

The overall decrease in capital assets of \$128,505 is due to depreciation expense of \$341,768 exceeding capital outlays of \$213,263.

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

***Debt Administration***

At June 30, 2013, the District had \$132,260 in energy conservation bonds, \$89,677 in lease purchase obligations and \$11,692,280 in general obligation bonds outstanding. Of this total, \$807,314 is due within one year and \$11,106,903 is due in greater than one year.

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

**Outstanding Debt, at Year End**

	Governmental Activities	
	2013	2012
Energy conservation bonds	\$ 132,260	\$ 215,883
Lease purchase obligation	89,677	-
General obligation bonds	11,692,280	12,240,000
Bond anticipation notes	-	675,000
Total	\$ 11,914,217	\$ 13,130,883

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District has committed itself to educational and financial excellence for many years. The District implements budgeting and internal controls to safeguard assets and monitor the District's progress. The District uses a five-year forecast of the general fund, which is closely monitored by the Board of Education and administration, as a tool to manage resources effectively. During fiscal year 2011, the Board of Education implemented approximately \$700,000 in various cuts and reductions in force for fiscal year 2012 and 2013.

As most of the financial information in this report shows, the District relies heavily on its taxpayers. The District's community support was measured by the passage of a \$16.9 million bond issue in November 2003, the renewal of the 0.5% earned income tax for operating purposes in November 2008 and the renewal of the District's emergency levy in November 2009 which generates approximately \$1.4 million annually. The support of these three issues demonstrates the strong belief of community members that their schools are one of their highest priorities. The District will put a 1% income tax issue on the ballot in the Spring of 2014.

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

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

**Contacting the District's Financial Management**

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

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

**STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 6,054,888
Cash with fiscal agent . . . . .	37,148
Receivables:	
Property taxes . . . . .	5,631,507
Income taxes . . . . .	345,698
Accounts . . . . .	51,762
Payment in lieu of taxes . . . . .	539,470
Intergovernmental . . . . .	142,173
Accrued interest . . . . .	250
Prepayments . . . . .	63,255
Materials and supplies inventory . . . . .	5,070
Capital assets:	
Land . . . . .	254,158
Depreciable capital assets, net . . . . .	28,661,920
Capital assets, net . . . . .	28,916,078
Total assets . . . . .	41,787,299
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	967,240
Total deferred outflows of resources . . . . .	967,240
<b>Liabilities:</b>	
Accounts payable . . . . .	74,300
Accrued wages and benefits . . . . .	1,014,434
Pension obligation payable . . . . .	159,180
Intergovernmental payable . . . . .	42,911
Claims payable . . . . .	196,339
Accrued interest payable . . . . .	19,089
Notes payable . . . . .	300,000
Long-term liabilities:	
Due within one year . . . . .	923,582
Due in more than one year . . . . .	13,267,268
Total liabilities . . . . .	15,997,103
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	2,936,188
Payment in lieu of taxes levied for the next fiscal year . . . . .	269,735
Total deferred inflows of resources . . . . .	3,205,923
<b>Net position:</b>	
Net investment in capital assets . . . . .	16,737,660
Restricted for:	
Capital projects . . . . .	66,493
Debt service . . . . .	1,558,300
Classroom facilities maintenance . . . . .	175,473
Locally funded programs . . . . .	33,341
State funded programs . . . . .	169
Federally funded programs . . . . .	9,655
Student activities . . . . .	44,506
Other purposes . . . . .	3,882
Unrestricted . . . . .	4,922,034
Total net position . . . . .	\$ 23,551,513

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,524,946	\$ 798,136	\$ 103,101	\$ -	\$ (4,623,709)
Special . . . . .	1,778,583	97,656	640,112	-	(1,040,815)
Support services:					
Pupil. . . . .	643,051	-	197,477	-	(445,574)
Instructional staff . . . . .	576,222	-	38,882	-	(537,340)
Board of education . . . . .	100,429	-	-	-	(100,429)
Administration. . . . .	912,453	-	60,073	-	(852,380)
Fiscal. . . . .	485,566	-	-	-	(485,566)
Business. . . . .	36,588	-	-	-	(36,588)
Operations and maintenance . . . . .	1,325,839	2,970	-	4,878	(1,317,991)
Pupil transportation. . . . .	738,373	-	34,608	-	(703,765)
Central . . . . .	373,169	-	5,400	-	(367,769)
Operation of non-instructional services:					
Other non-instructional services . . . . .	293	-	-	-	(293)
Food service operations . . . . .	692,060	293,381	292,228	-	(106,451)
Extracurricular activities. . . . .	661,262	213,290	12,705	-	(435,267)
Bond issuance costs . . . . .	201,211	-	-	-	(201,211)
Interest and fiscal charges . . . . .	364,603	-	-	-	(364,603)
<b>Total governmental activities . . . . .</b>	<b>\$ 14,414,648</b>	<b>\$ 1,405,433</b>	<b>\$ 1,384,586</b>	<b>\$ 4,878</b>	<b>(11,619,751)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	4,315,041
Classroom facilities maintenance . . . . .	62,162
Debt service. . . . .	1,023,278
School district income tax . . . . .	915,675
Payment in lieu of taxes . . . . .	960,395
Grants and entitlements not restricted to specific programs . . . . .	4,374,674
Investment earnings . . . . .	6,090
Miscellaneous . . . . .	29,744
<b>Total general revenues . . . . .</b>	<b>11,687,059</b>
Change in net position. . . . .	67,308
<b>Net position at beginning of year. . . . .</b>	<b>23,484,205</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 23,551,513</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 4,412,400	\$ 1,356,329	\$ 282,277	\$ 6,051,006
Receivables:				
Property taxes. . . . .	4,525,200	1,044,330	61,977	5,631,507
Income taxes. . . . .	345,698	-	-	345,698
Payment in lieu of taxes. . . . .	431,576	102,499	5,395	539,470
Accounts. . . . .	32,986	-	18,776	51,762
Intergovernmental. . . . .	127,876	-	14,297	142,173
Accrued interest. . . . .	250	-	-	250
Interfund loans. . . . .	1,954	-	-	1,954
Prepayments. . . . .	63,255	-	-	63,255
Materials and supplies inventory. . . . .	-	-	5,070	5,070
Restricted assets:				
Equity in pooled cash and cash equivalents. . . . .	3,882	-	-	3,882
Total assets. . . . .	<u>\$ 9,945,077</u>	<u>\$ 2,503,158</u>	<u>\$ 387,792</u>	<u>\$ 12,836,027</u>
<b>Liabilities:</b>				
Accounts payable. . . . .	\$ 58,094	\$ -	\$ 16,206	\$ 74,300
Accrued wages and benefits. . . . .	986,587	-	27,847	1,014,434
Compensated absences payable. . . . .	63,613	-	-	63,613
Interfund loans payable. . . . .	-	-	1,954	1,954
Pension obligation payable. . . . .	145,627	-	13,553	159,180
Intergovernmental payable. . . . .	39,525	-	3,386	42,911
Notes payable. . . . .	-	300,000	-	300,000
Total liabilities. . . . .	<u>1,293,446</u>	<u>300,000</u>	<u>62,946</u>	<u>1,656,392</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	2,372,904	532,226	31,058	2,936,188
Payment in lieu of taxes levied for the next fiscal year. . . . .	215,788	51,249	2,698	269,735
Delinquent property tax revenue not available. . . . .	166,200	39,730	2,377	208,307
Income tax revenue not available. . . . .	56,407	-	-	56,407
Intergovernmental revenue not available. . . . .	104,306	-	5,641	109,947
Total deferred inflows of resources. . . . .	<u>2,915,605</u>	<u>623,205</u>	<u>41,774</u>	<u>3,580,584</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	5,070	5,070
Prepays. . . . .	63,255	-	-	63,255
Restricted:				
Debt service. . . . .	-	1,579,953	-	1,579,953
Capital improvements. . . . .	-	-	66,493	66,493
Classroom facilities maintenance. . . . .	-	-	173,096	173,096
Targeted academic assistance. . . . .	-	-	4,134	4,134
Other purposes. . . . .	-	-	33,510	33,510
Extracurricular activities. . . . .	-	-	44,506	44,506
School bus purchases. . . . .	3,882	-	-	3,882
Assigned:				
Student instruction. . . . .	241	-	-	241
Student and staff support. . . . .	226,484	-	-	226,484
Extracurricular activities. . . . .	2,943	-	-	2,943
Facilities acquisition and construction. . . . .	20	-	-	20
Uniform school supplies. . . . .	27,312	-	-	27,312
Subsequent year's appropriations. . . . .	1,237,164	-	-	1,237,164
Unassigned (deficit). . . . .	4,174,725	-	(43,737)	4,130,988
Total fund balances. . . . .	<u>5,736,026</u>	<u>1,579,953</u>	<u>283,072</u>	<u>7,599,051</u>
Total liabilities, deferred inflows and fund balances. . . . .	<u>\$ 9,945,077</u>	<u>\$ 2,503,158</u>	<u>\$ 387,792</u>	<u>\$ 12,836,027</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$ 7,599,051
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,916,078
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Taxes receivable	\$ 264,714	
Intergovernmental receivable	109,947	
Total	374,661	374,661
Unamortized premiums on bond issuances are not recognized in the funds.		(1,273,735)
Unamortized amounts on refundings are not recognized in the funds.		967,240
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(19,089)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(939,285)	
Energy conservation bonds payable	(132,260)	
General obligation bonds	(11,692,280)	
Lease purchase agreement	(89,677)	
Total	(12,853,502)	(12,853,502)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		(159,191)
<b>Net position of governmental activities</b>		<b>\$ 23,551,513</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,401,315	\$ 1,044,165	\$ 63,393	\$ 5,508,873
Income taxes . . . . .	859,268	-	-	859,268
Payment in lieu of taxes . . . . .	852,502	102,499	5,394	960,395
Tuition . . . . .	845,971	-	-	845,971
Charges for services . . . . .	-	-	293,381	293,381
Earnings on investments . . . . .	8,195	-	8	8,203
Extracurricular . . . . .	24,768	-	211,439	236,207
Classroom materials and fees . . . . .	26,904	-	-	26,904
Rental income . . . . .	2,970	-	-	2,970
Contributions and donations . . . . .	38,874	-	35,300	74,174
Other local revenues . . . . .	24,882	4,862	-	29,744
Intergovernmental - state . . . . .	4,457,221	258,004	25,974	4,741,199
Intergovernmental - federal . . . . .	19,648	-	893,976	913,624
Total revenues . . . . .	<u>11,562,518</u>	<u>1,409,530</u>	<u>1,528,865</u>	<u>14,500,913</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,310,185	-	56,193	5,366,378
Special . . . . .	1,431,828	-	265,271	1,697,099
Support services:				
Pupil . . . . .	422,094	-	196,959	619,053
Instructional staff . . . . .	517,334	-	40,013	557,347
Board of education . . . . .	100,262	-	-	100,262
Administration . . . . .	848,374	-	60,073	908,447
Fiscal . . . . .	443,771	26,024	1,555	471,350
Business . . . . .	12,335	-	-	12,335
Operations and maintenance . . . . .	1,129,558	-	70,805	1,200,363
Pupil transportation . . . . .	676,022	-	-	676,022
Central . . . . .	353,002	-	5,400	358,402
Operation of non-instructional services:				
Other non-instructional services . . . . .	293	-	-	293
Food service operations . . . . .	-	-	667,514	667,514
Extracurricular activities . . . . .	424,099	-	218,187	642,286
Facilities acquisition and construction . . . . .	36,932	-	147,507	184,439
Capital outlay . . . . .	111,961	-	-	111,961
Debt service:				
Principal retirement . . . . .	22,284	1,348,623	-	1,370,907
Interest and fiscal charges . . . . .	4,686	206,150	-	210,836
Bond and note issuance costs . . . . .	-	201,211	-	201,211
Total expenditures . . . . .	<u>11,845,020</u>	<u>1,782,008</u>	<u>1,729,477</u>	<u>15,356,505</u>
Excess of expenditures over revenues . . . . .	<u>(282,502)</u>	<u>(372,478)</u>	<u>(200,612)</u>	<u>(855,592)</u>
<b>Other financing sources (uses):</b>				
Premium on bonds and notes . . . . .	-	1,317,815	-	1,317,815
Sale of bonds . . . . .	-	10,989,986	-	10,989,986
Transfers in . . . . .	-	92,896	194,397	287,293
Transfers (out) . . . . .	(287,293)	-	-	(287,293)
Capital lease transaction . . . . .	111,961	-	-	111,961
Payment to refunding bond escrow agent . . . . .	-	(12,113,969)	-	(12,113,969)
Total other financing sources (uses) . . . . .	<u>(175,332)</u>	<u>286,728</u>	<u>194,397</u>	<u>305,793</u>
Net change in fund balances . . . . .	(457,834)	(85,750)	(6,215)	(549,799)
<b>Fund balances at beginning of year . . . . .</b>	<b>6,193,860</b>	<b>1,665,703</b>	<b>289,287</b>	<b>8,148,850</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 5,736,026</b>	<b>\$ 1,579,953</b>	<b>\$ 283,072</b>	<b>\$ 7,599,051</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY, OHIO

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Net change in fund balances - total governmental funds</b>	\$	(549,799)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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.		
Capital asset additions	\$ 213,263	
Current year depreciation	<u>(341,768)</u>	
Total		(128,505)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(51,985)	
Earnings on investments	(2,555)	
Intergovernmental	<u>30,311</u>	
Total		(24,229)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		1,370,907
The issuance of bonds, bond anticipation notes and lease purchase agreements are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(11,101,947)
Payment to refunding bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net assets.		
		12,113,969
Premiums on bonds are amortized over the life of the issuance in the statement of activities.		
		(1,317,815)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	1,176	
Accreted interest on capital appreciation bonds	(42,294)	
Removal of unamortization bond issuance costs	(135,108)	
Amortization of bond premiums	60,825	
Amortization of deferred charges	<u>(38,366)</u>	
Total		(153,767)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(50,325)
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net expense of the internal service fund allocated among the governmental activities.		
		<u>(91,181)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>67,308</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 4,131,296	\$ 4,314,600	\$ 4,348,170	\$ 33,570
Income taxes . . . . .	809,579	845,500	845,224	(276)
Payment in lieu of taxes . . . . .	754,043	783,000	783,339	339
Tuition . . . . .	788,705	823,700	845,971	22,271
Earnings on investments . . . . .	8,139	8,500	2,580	(5,920)
Rental income . . . . .	4,309	4,500	2,970	(1,530)
Other local revenues . . . . .	7,756	12,600	14,577	1,977
Intergovernmental - state . . . . .	4,091,406	4,272,940	4,457,221	184,281
Intergovernmental - federal . . . . .	97,667	102,000	2,491	(99,509)
Total revenues . . . . .	<u>10,692,900</u>	<u>11,167,340</u>	<u>11,302,543</u>	<u>135,203</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,610,009	5,483,128	5,293,053	190,075
Special . . . . .	1,447,830	1,475,211	1,430,778	44,433
Other . . . . .	500	500	-	500
Support services:				
Pupil . . . . .	557,234	557,234	430,280	126,954
Instructional staff . . . . .	502,871	515,871	522,426	(6,555)
Board of education . . . . .	78,855	78,855	121,938	(43,083)
Administration . . . . .	843,444	843,444	856,572	(13,128)
Fiscal . . . . .	461,289	461,289	455,485	5,804
Business . . . . .	66,732	66,732	49,869	16,863
Operations and maintenance . . . . .	1,240,593	1,245,593	1,239,828	5,765
Pupil transportation . . . . .	646,904	646,904	744,478	(97,574)
Central . . . . .	303,847	333,847	355,227	(21,380)
Operation of non-instructional services:				
Other non-instructional services . . . . .	10,000	10,000	10,293	(293)
Extracurricular activities . . . . .	380,872	380,872	415,944	(35,072)
Facilities acquisition and construction . . . . .	43,264	43,264	36,952	6,312
Total expenditures . . . . .	<u>12,194,244</u>	<u>12,142,744</u>	<u>11,963,123</u>	<u>179,621</u>
Excess of expenditures over revenues . . . . .	<u>(1,501,344)</u>	<u>(975,404)</u>	<u>(660,580)</u>	<u>314,824</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	39,500	39,500	38,742	(758)
Transfers (out) . . . . .	(50,000)	(101,500)	(287,293)	(185,793)
Advances in . . . . .	19,394	19,394	9,694	(9,700)
Advances (out) . . . . .	-	-	(1,955)	(1,955)
Sale of capital assets . . . . .	1,000	1,000	369	(631)
Total other financing sources (uses) . . . . .	<u>9,894</u>	<u>(41,606)</u>	<u>(240,443)</u>	<u>(198,837)</u>
Net change in fund balance . . . . .	(1,491,450)	(1,017,010)	(901,023)	115,987
<b>Fund balance at beginning of year . . . . .</b>	<b>4,833,610</b>	<b>4,833,610</b>	<b>4,833,610</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>166,589</b>	<b>166,589</b>	<b>166,589</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 3,508,749</b>	<b>\$ 3,983,189</b>	<b>\$ 4,099,176</b>	<b>\$ 115,987</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2013**

	<u><b>Governmental Activities - Internal Service Funds</b></u>
<b>Assets:</b>	
Current assets:	
Cash with fiscal agent . . . . .	\$ 37,148
Total assets. . . . .	<u>37,148</u>
<b>Liabilities:</b>	
Current:	
Claims payable . . . . .	<u>196,339</u>
Total liabilities . . . . .	<u>196,339</u>
<b>Net position:</b>	
Unrestricted (deficit) . . . . .	<u>(159,191)</u>
Total net position (deficit) . . . . .	<u><u>\$ (159,191)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u><b>Governmental Activities - Internal Service Fund</b></u>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 2,122,142
Total operating revenues . . . . .	<u>2,122,142</u>
<b>Operating expenses:</b>	
Purchased services. . . . .	412,347
Claims . . . . .	<u>1,801,418</u>
Total operating expenses. . . . .	<u>2,213,765</u>
Operating loss . . . . .	<u>(91,623)</u>
<b>Nonoperating revenues:</b>	
Interest revenue . . . . .	<u>442</u>
Total nonoperating revenues. . . . .	<u>442</u>
Change in net position . . . . .	(91,181)
<b>Net position (deficit) at beginning of year. . . . .</b>	<u>(68,010)</u>
<b>Net position (deficit) at end of year . . . . .</b>	<u><u>\$ (159,191)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash receipts from charges for services . . . . .	\$ 2,122,142
Cash payments for purchased services. . . . .	(412,347)
Cash payments for claims . . . . .	<u>(1,751,367)</u>
Net cash used in operating activities. . . . .	<u>(41,572)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	<u>442</u>
Net cash provided by investing activities . . . . .	<u>442</u>
Net decrease in cash and cash equivalents . . . . .	(41,130)
<b>Cash and cash equivalents at beginning of year . . .</b>	<b>78,278</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u><u>\$ 37,148</u></u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (91,623)
Changes in assets and liabilities:	
Increase in claims payable . . . . .	<u>50,051</u>
Net cash used in operating activities. . . . .	<u><u>\$ (41,572)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013**

	<b>Private Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 311,167	\$ 47,108
Total assets. . . . .	311,167	\$ 47,108
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 47,108
Total liabilities . . . . .	-	\$ 47,108
<b>Net position:</b>		
Held in trust for scholarships . . . . .	311,167	
Total net position. . . . .	\$ 311,167	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

		<u>Private Purpose Trust</u>
		<u>Scholarship</u>
<b>Additions:</b>		
Interest. . . . .	\$	344
Gifts and contributions. . . . .		4,239
Total additions. . . . .		<u>4,583</u>
 <b>Deductions:</b>		
Scholarships awarded . . . . .		<u>26,185</u>
 Change in net position . . . . .		(21,602)
<b>Net position at beginning of year. . . . .</b>		<u>332,769</u>
<b>Net position at end of year . . . . .</b>	<b>\$</b>	<b><u><u>311,167</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is the 406<sup>th</sup> largest in the State of Ohio among 918 public school districts and community schools in terms of enrollment. It is staffed by 56 non-certified employees and 90 certified full-time teaching personnel who provide services to 1,284 students and other community members. The District currently operates 2 instructional buildings and 1 administrative building.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**A. Reporting Entity (Continued)**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Metropolitan Education Council (MEC)

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

Tolles Career & Technical Center

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Ohio School Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**B. Fund Accounting**

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

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

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

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

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

*PROPRIETARY FUNDS*

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

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

*FIDUCIARY FUNDS*

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus (Continued)**

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**D. Basis of Accounting (Continued)**

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2013 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**E. Budgets (Continued)**

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2013.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2013. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts, including all amendments approved in the fiscal year.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Cash Equivalents**

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

During 2013, investments were limited to Certificates of Deposit Account Registry Service (CDAR) which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, other nonmajor governmental funds and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$8,195, which includes \$2,372 assigned from other funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**F. Cash and Cash Equivalents (Continued)**

For purposes of the statement of cash flows and for presentation on the statement of net position, all investments are considered to be cash equivalents.

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**K. Accrued Liabilities and Long-Term Obligations (Continued)**

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

**L. Fund Balance**

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**L. Fund Balance (Continued)**

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes include amounts restricted for school bus purchases by the State of Ohio.

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

**N. Prepayments**

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

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. Restricted assets represent monies received from the State of Ohio that are restricted for school bus purchases. The District had \$3,882 in restricted cash assets at June 30, 2013. See Note 17 for detail.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

**Q. Interfund Activity**

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

**R. Unamortized Bond Premiums and Discounts / Accounting Gain or Loss**

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

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources. On the governmental fund financial statements and bond premiums are recognized in the current period.

On the governmental fund financial statements bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**A. Change in Accounting Principles (Continued)**

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 has changed the presentation of the District's financial statements.

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Food service	\$ 38,051
Entry year programs	7
Race to the top	120
Title I	461
Title II-A	28
 <u>Internal service fund</u>	 159,191

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash with Fiscal Agent**

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2013 was \$37,148. This amount is not included in the "deposits" or "investments" reported below.

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$6,413,163. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$5,199,011 of the District's bank balance of \$6,449,011 was exposed to custodial risk as discussed below, while \$1,250,000 was covered by the FDIC.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions (Continued)**

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

**C. Investments**

The District had no investments at June 30, 2013.

**D. Reconciliation of Cash and Investments to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,413,163
Cash with fiscal agent	<u>37,148</u>
Total	<u>\$ 6,450,311</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,092,036
Fiduciary funds	<u>358,275</u>
Total	<u>\$ 6,450,311</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

**A.** Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
<u>Transfers to nonmajor governmental fund from:</u>	
General fund	\$ 194,397
<u>Transfers to the debt service fund from:</u>	
General fund	<u>92,896</u>
Total transfers	<u>\$ 287,293</u>



**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

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

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 1,954</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Madison County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$1,986,096 in the general fund, \$472,374 in the debt service fund and \$28,542 in the maintenance program fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,932,951 in the general fund, \$463,541 in the debt service fund and \$27,586 in the maintenance program fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 161,084,030	96.83	\$ 162,158,950	96.71
Public utility personal	<u>5,275,920</u>	<u>3.17</u>	<u>5,524,440</u>	<u>3.29</u>
Total	<u>\$ 166,359,950</u>	<u>100.00</u>	<u>\$ 167,683,390</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$39.21		\$39.21	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The District currently benefits from a 1/2% income tax, which is assessed on all residents of the District. In 2013, the District income tax generated \$915,675 in revenue. Revenues generated by the school district income tax are reported in the general fund.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest, income taxes, payment in lieu of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 5,631,507
Income taxes	345,698
Accounts	51,762
Payment in lieu of taxes	539,470
Intergovernmental	142,173
Accrued interest	<u>250</u>
Total	<u>\$ 6,710,860</u>

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

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance 6/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 254,158	\$ -	\$ -	\$ 254,158
Total capital assets, not being depreciated	<u>254,158</u>	<u>-</u>	<u>-</u>	<u>254,158</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	529,474	-	-	529,474
Buildings and improvements	33,195,570	39,291	-	33,234,861
Furniture and equipment	894,950	140,152	-	1,035,102
Vehicles	1,023,218	33,820	-	1,057,038
Total capital assets, being depreciated	<u>35,643,212</u>	<u>213,263</u>	<u>-</u>	<u>35,856,475</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(319,658)	(19,976)	-	(339,634)
Buildings and improvements	(5,426,130)	(175,686)	-	(5,601,816)
Furniture and equipment	(460,365)	(75,524)	-	(535,889)
Vehicles	(646,634)	(70,582)	-	(717,216)
Total accumulated depreciation	<u>(6,852,787)</u>	<u>(341,768)</u>	<u>-</u>	<u>(7,194,555)</u>
Governmental activities capital assets, net	<u>\$ 29,044,583</u>	<u>\$ (128,505)</u>	<u>\$ -</u>	<u>\$ 28,916,078</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 9 - CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$101,697
Special	25,405
<u>Support services:</u>	
Pupil	21,208
Instructional staff	7,333
Board of education	208
Administration	21,777
Fiscal	5,326
Business	24,253
Operations & maintenance	34,404
Pupil transportation	51,167
Central	9,652
Extracurricular	17,571
Food service operation	<u>21,767</u>
Total depreciation expense	<u>\$341,768</u>

**NOTE 10 - SHORT-TERM OBLIGATIONS**

The District's short-term note activity for the year ended June 30, 2013, was as follows:

	<u>Interest Rate</u>	<u>Balance 06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 06/30/13</u>
<b>Governmental activities:</b>					
Bond anticipation note	0.650%	\$ -	\$ 300,000	\$ -	\$ 300,000
Total		<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

The District issued \$300,000 in general obligation bond anticipation notes to retire \$675,000 of previously issued notes. The maturity date on the notes is November 19, 2013. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Principal and interest are recorded in the debt service fund. The District's bond anticipation notes are backed by the full faith and credit of the District and have a maturity of one year.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/12	Additions	Reductions	Balance Outstanding 06/30/13	Amounts Due in One Year
<b>Governmental activities:</b>						
Energy conservation bonds	4.75%	\$ 215,883	-	\$ (83,623)	\$ 132,260	\$ 87,642
General obligation bonds - Series 2004	1.75-5.00%	12,240,000	-	(11,395,000)	845,000	415,000
Refunded general obligation bonds - Series 2012	1.25-2.75%					
Current interest bonds		-	8,210,000	(185,000)	8,025,000	220,000
Capital appreciation bonds		-	354,987	-	354,987	-
Accreted interest		-	36,812	-	36,812	-
Refunded general obligation bonds - Series 2013	1.25-2.00%					
Current interest bonds		-	2,195,000	-	2,195,000	65,000
Capital appreciation bonds		-	229,999	-	229,999	-
Accreted interest		-	5,482	-	5,482	-
Bond anticipation notes	0.850%	675,000	-	(675,000)	-	-
Lease purchase agreement	N/A	-	111,961	(22,284)	89,677	19,672
Compensated absences	N/A	968,921	182,240	(148,263)	1,002,898	116,268
Early retirement incentive	N/A	30,000	-	(30,000)	-	-
Total long-term obligations, governmental activities		<u>\$ 14,129,804</u>	<u>\$ 11,326,481</u>	<u>\$ (12,539,170)</u>	12,917,115	<u>\$ 923,582</u>
Unamortized premium					<u>1,273,735</u>	
Total long-term obligations					<u>\$ 14,190,850</u>	

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

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

During 2013, \$10,990,000 of the Series 2004 general obligation bonds were refunded.

Interest payments on the general obligation bonds are due on December 1 and June 1 of each year. The final maturity stated in the issue is December 1, 2014.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Refunding Bonds, Series 2012

On October 25, 2012, the District issued general obligation refunding bonds (Series 2012, refunding bonds). These bonds refunded the \$8,565,000 callable portion of the Series 2004 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The source of payment is derived from a current 6.9 mil bonded debt tax levy. The balance of the refunded current interest bonds at June 30, 2013 is \$8,379,987.

This issue is comprised of current interest bonds, present value \$8,210,000 at June 30, 2013, and capital appreciation bonds, par value \$354,987. The capital appreciation bonds mature December 1, 2021 (stated interest 18.31%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,585,000. Total accreted interest of \$36,812 has been included on the statement of net position at June 30, 2013.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2021.

The reacquisition price exceeded the net carrying amount of the old debt by \$852,635. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 17 years by \$2,364,284 and resulted in an economic gain of \$1,605,158.

Refunding Bonds, Series 2013

On March 12, 2013, the District issued general obligation refunding bonds (Series 2013, refunding bonds). These bonds refunded the \$2,425,000 callable portion of the Series 2004 issue. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. On the fund financial statements, payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. On the government-wide financial statements, principal payments reduce the liability reported on the statement of net position. The source of payment is derived from a current 6.9 mil bonded debt tax levy. The balance of the refunded current interest bonds at June 30, 2013 is \$2,425,000.

This issue is comprised of current interest bonds, present value \$2,195,000 at June 30, 2013, and capital appreciation bonds, par value \$229,999. The capital appreciation bonds mature December 1, 2019 (stated interest 10.99%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$470,000. Total accreted interest of \$5,482 has been included on the statement of net position at June 30, 2013.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$152,971. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 7 years by \$94,164 and resulted in an economic gain of \$87,249.

Lease Purchase Agreement - During fiscal year 2013, the District entered into a lease purchase agreement, in the amount of \$111,961, with DeLage Landen Public Finance, LLC. to finance the cost of new copiers. The annual payments are made from the general fund. At June 30, 2013, the District had outstanding borrowings of \$89,677.

Capital assets consisting of furniture and equipment have been recorded in the amount of \$111,961. A corresponding liability is recorded on the statement of net position. Accumulated depreciation as of June 30, 2013 was \$22,392, leaving a current book value of \$89,569.

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

Early Retirement Incentive - During the prior fiscal year, the District offered an early retirement incentive. The Board of Education agreed to pay \$10,000 to employees of either bargaining unit whom opted to resign or retire effective at the end of the 2011 - 2012 school year. Eligibility for payment was met either by being eligible for retirement under the union's retirement system or by having reached 20 years of service credit as recognized by the District. Six employees took advantage of the early retirement incentive. The payments were made in two separate installments; the first one was made on July 22, 2011 and the second one was made on July 22, 2012.

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

Fiscal Year Ending June 30	Energy Conservation Bonds			Series 2004 Current Interest Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 87,642	\$ 5,254	\$ 92,896	\$ 415,000	\$ 30,113	\$ 445,113
2015	44,618	1,060	45,678	430,000	15,587	445,587
Total	<u>\$ 132,260</u>	<u>\$ 6,314</u>	<u>\$ 138,574</u>	<u>\$ 845,000</u>	<u>\$ 45,700</u>	<u>\$ 890,700</u>

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30	Series 2012 Current Interest Bonds			Series 2012 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 220,000	\$ 170,888	\$ 390,888	\$ -	\$ -	\$ -
2015	225,000	166,438	391,438	-	-	-
2016	225,000	162,781	387,781	-	-	-
2017	225,000	159,969	384,969	-	-	-
2018	225,000	156,875	381,875	-	-	-
2019 - 2023	1,260,000	730,640	1,990,640	354,987	1,230,013	1,585,000
2024 - 2028	4,220,000	431,732	4,651,732	-	-	-
2029 - 2030	1,425,000	32,763	1,457,763	-	-	-
<b>Total</b>	<b>\$ 8,025,000</b>	<b>\$ 2,012,086</b>	<b>\$ 10,037,086</b>	<b>\$ 354,987</b>	<b>\$ 1,230,013</b>	<b>\$ 1,585,000</b>

Fiscal Year Ending June 30	Series 2013 Current Interest Bonds			Series 2013 Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 65,000	\$ 39,313	\$ 104,313	\$ -	\$ -	\$ -
2015	55,000	38,113	93,113	-	-	-
2016	500,000	32,563	532,563	-	-	-
2017	515,000	22,413	537,413	-	-	-
2018	525,000	13,981	538,981	-	-	-
2019 - 2020	535,000	5,350	540,350	229,999	240,001	470,000
<b>Total</b>	<b>\$ 2,195,000</b>	<b>\$ 151,733</b>	<b>\$ 2,346,733</b>	<b>\$ 229,999</b>	<b>\$ 240,001</b>	<b>\$ 470,000</b>

Fiscal Year Ending June 30	Lease Purchase Agreement		
	Principal	Interest	Total
2014	\$ 19,672	\$ 3,148	\$ 22,820
2015	22,352	2,544	24,896
2016	23,321	1,575	24,896
2017	24,332	564	24,896
<b>Total</b>	<b>\$ 89,677</b>	<b>\$ 7,831</b>	<b>\$ 97,508</b>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.



**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

**C. Legal Debt Margin (Continued)**

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$5,021,472 (including available funds of \$1,579,953) and an unvoted debt margin of \$167,683.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2013, the District purchased insurance coverage through the Ohio School Plan (see below).

**B. Ohio School Plan**

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

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

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

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets	\$ 5,351,369	\$ 4,280,876	\$ 3,859,753
Liabilities	2,734,952	1,812,420	1,732,921
Members' equity	2,616,417	2,468,456	2,126,832

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

You can read the complete audited financial statements for The Ohio School Plan at the Plan's website, [www.ohioschoolplan.org](http://www.ohioschoolplan.org) under "Financials".

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

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$39,299,220
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	\$2,000,000
Annual aggregate limit	4,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	2,000,000
Annual aggregate limit	4,000,000
Deductible	0
Stop Gap	
Each accident	2,000,000
Disease each employee	2,000,000
Disease policy limit	2,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	2,000,000
Medical payments limit	5,000
Uninsured/underinsured motorists coverage	1,000,000
Auto Physical Damage (actual cash value)	
Comprehensive deductible	250
Collision deductible	500

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

**C. Employee Group Medical/Surgical and Dental Insurance**

Medical/surgical and dental insurance is offered to employees through a self-insurance internal service fund. The District is a member of a claims servicing pool, consisting of 95 school districts within the State, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. The claims liability of \$196,339 reported in the internal service fund at June 30, 2013 is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Employee Group Medical/Surgical and Dental Insurance (Continued)**

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

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims Incurred</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2013	\$146,288	\$ 1,801,418	\$(1,751,367)	\$ 196,339
2012	116,407	1,282,854	(1,252,973)	146,288

**D. Workers' Compensation Group Rating Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "GRP"), an insurance purchasing pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](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 at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 - PENSION PLANS - (Continued)**

**A. School Employees Retirement System (Continued)**

The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$230,268, \$218,001 and \$218,376, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 13 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$730,280, \$720,921 and \$749,742, respectively; 85.08 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$33,942 made by the District and \$24,244 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System (Continued)**

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$26,514, \$35,901 and \$62,452, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$13,008, \$12,874 and \$14,053, respectively; 100 percent has been contributed for fiscal years 2013, 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$56,175, \$55,455 and \$57,672, respectively; 85.08 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (901,023)
Net adjustment for revenue accruals	169,429
Net adjustment for expenditure accruals	(42,053)
Net adjustment for other sources/uses	65,111
Funds budgeted elsewhere	25,971
Adjustment for encumbrances	<u>224,731</u>
GAAP basis	<u>\$ (457,834)</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**NOTE 17 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	213,137
Current year qualifying expenditures	(338,774)
Current year offsets	<u>(62,437)</u>
Total	<u>\$ (188,074)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

In addition to the above statutory set-aside, the District also has \$3,882 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2013 follows:

Amount restricted for school bus purchases	<u>\$ 3,882</u>
--	-----------------

**NOTE 18 - OTHER COMMITMENTS**

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

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 167,223
Other governmental	<u>32,537</u>
Total	<u><u>\$ 199,760</u></u>



**JEFFERSON LOCAL SCHOOL DISTRICT  
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**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education</i>			
<b>Nutrition Cluster:</b>			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	\$ 12,617	\$ 12,617
Cash Assistance			
School Breakfast Program	10.553	49,076	49,076
National School Lunch Program	10.555	<u>207,206</u>	<u>207,206</u>
Total U.S. Department of Agriculture		<u>268,899</u>	<u>268,899</u>
<b>U.S. DEPARTMENT OF Education</b>			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Education Agencies	84.010	280,797	272,366
Special Education Grants to States	84.027	257,371	257,371
Title II-D Education Technology	84.318	1,778	1,778
Improving Teacher Quality State Grants	84.367	38,882	38,882
ARRA -Race to the Top	84.395	<u>39,935</u>	<u>40,627</u>
Total U.S. Department of Education		<u>618,763</u>	<u>611,024</u>
<b>Total Federal Awards</b>		<u><b>\$ 887,662</b></u>	<u><b>\$ 879,923</b></u>

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the 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 DONATION PROGRAM**

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



# Dave Yost • Auditor of State

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

Jefferson Local School District  
Madison County  
906 West Main Street  
West Jefferson, Ohio 43162

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 5, 2014.

### ***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

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

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***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 5, 2014



# Dave Yost • Auditor of State

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

Jefferson Local School District  
Madison County  
906 West Main Street  
West Jefferson, Ohio 43162

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Jefferson Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Jefferson Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the Jefferson Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affects its major federal program for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 5, 2014

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Title I CFDA #84.010
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

**JEFFERSON LOCAL SCHOOL DISTRICT**

**MADISON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2014**