

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2009***

JILL SMITH, TREASURER



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Jefferson Local School District, Madison County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 4, 2009

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

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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District, Madison County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise the Jefferson Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jefferson Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2009 on our consideration of the Jefferson Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Jefferson Local School District
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Julian & Grube, Inc.
October 29, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities decreased \$805,626 which represents a 3.26% decrease from 2008.
- General revenues accounted for \$11,222,733 in revenue or 84.53% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,053,434 or 15.47% of total revenues of \$13,276,167.
- The District had \$14,081,793 in expenses related to governmental activities; \$2,053,434 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,222,733 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$10,711,911 in revenues and \$11,380,251 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance decreased \$668,340 from \$7,933,607 to \$7,265,267.
- The debt service fund, had \$2,705,456 in revenues and other financing sources and \$2,540,171 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$165,285 from \$974,902 to \$1,140,187.

Using the Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Proprietary Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 13,832,114	\$ 15,101,019
Capital assets, net	<u>30,258,358</u>	<u>30,899,642</u>
Total assets	<u>44,090,472</u>	<u>46,000,661</u>
<u>Liabilities</u>		
Current liabilities	4,361,042	4,876,064
Long-term liabilities	<u>15,840,737</u>	<u>16,430,278</u>
Total liabilities	<u>20,201,779</u>	<u>21,306,342</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	15,324,995	15,581,551
Restricted	1,920,509	1,861,221
Unrestricted	<u>6,643,189</u>	<u>7,251,547</u>
Total net assets	<u>\$ 23,888,693</u>	<u>\$ 24,694,319</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$23,888,693. Of this total, \$1,920,509 is restricted in use.

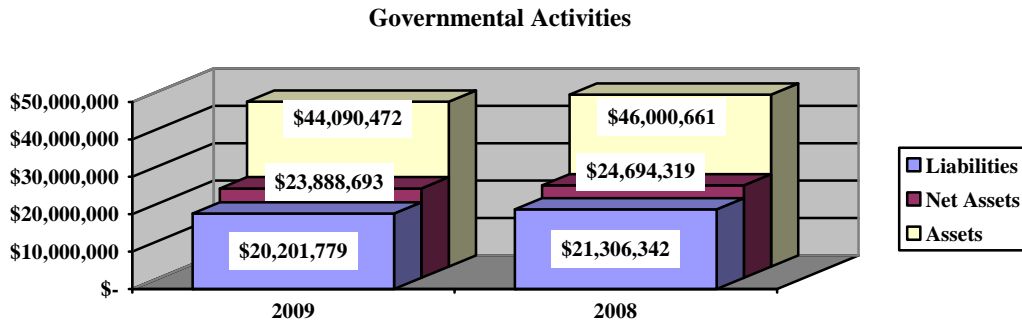
**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year end, capital assets represented 68.63% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$15,324,995. 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, \$1,920,509, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$6,643,189 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and 2008:



The table below shows the change in net assets for fiscal year 2009 and 2008.

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,077,933	\$ 1,215,701
Operating grants and contributions	958,925	1,041,083
Capital grants and contributions	16,576	11,333
General revenues:		
Property taxes	5,280,194	6,520,051
School District income tax	718,846	877,554
Grants and entitlements	4,757,253	4,448,418
Payment in lieu of taxes	383,856	382,513
Investment earnings	82,136	262,945
Other	<u>448</u>	<u>6,825</u>
Total revenues	\$ <u>13,276,167</u>	\$ <u>14,766,423</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,403,540	\$ 5,332,620
Special	1,701,095	1,554,108
Other	27,517	25,732
Support services:		
Pupil	574,719	513,290
Instructional staff	564,764	622,594
Board of education	71,461	107,430
Administration	891,366	820,383
Fiscal	452,186	438,735
Business	60,012	81,386
Operations and maintenance	1,677,094	1,391,266
Pupil transportation	469,447	529,527
Central	296,407	348,458
Operations of non-instructional services:		
Food service operations	648,351	698,017
Extracurricular activities	608,840	597,382
Interest and fiscal charges	<u>634,994</u>	<u>664,726</u>
Total expenses	<u>14,081,793</u>	<u>13,725,654</u>
Change in net assets	(805,626)	1,040,769
Net assets at beginning of year	<u>24,694,319</u>	<u>23,653,550</u>
Net assets at end of year	<u>\$ 23,888,693</u>	<u>\$ 24,694,319</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$805,626. Total governmental expenses of \$14,081,793 were offset by program revenues of \$2,053,434 and general revenues of \$11,222,733. Program revenues supported 14.58% 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 81.02% of total governmental revenue.

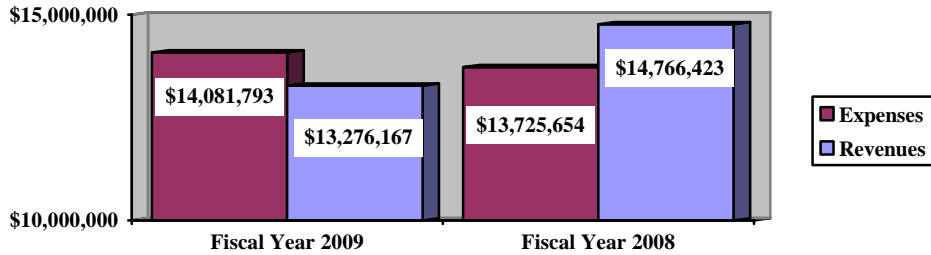
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,132,152 or 50.65% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

Governmental Activities - Revenues and Expenses



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 those services supported by tax revenue and unrestricted State grants and entitlements. The following is a comparison of 2009 and 2008.

Governmental Activities

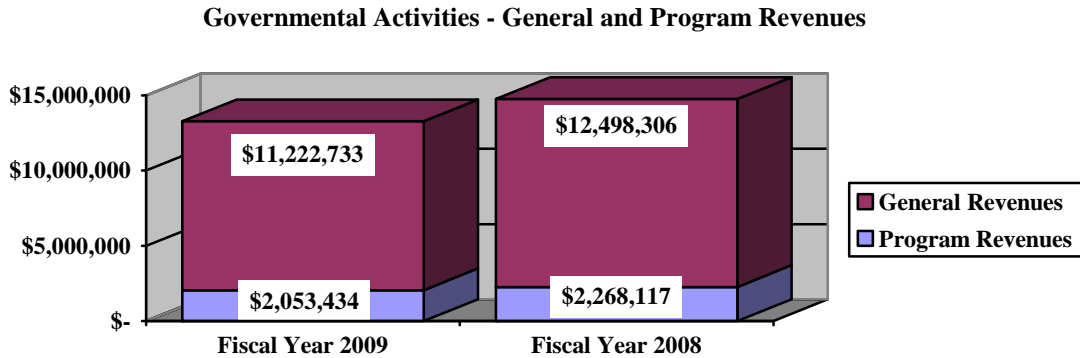
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 5,403,540	\$ 4,796,952	\$ 5,332,620	\$ 4,593,102
Special	1,701,095	1,048,414	1,554,108	839,329
Vocational	-	(1,500)	-	(493)
Other	27,517	2,039	25,732	2,425
Support services:				
Pupil	574,719	566,637	513,290	510,224
Instructional staff	564,764	550,236	622,594	617,108
Board of education	71,461	71,461	107,430	107,430
Administration	891,366	891,366	820,383	820,383
Fiscal	452,186	452,186	438,735	438,735
Business	60,012	60,012	81,386	81,386
Operations and maintenance	1,677,094	1,671,063	1,391,266	1,389,500
Pupil transportation	469,447	451,853	529,527	507,406
Central	296,407	279,977	348,458	332,028
Operations of non-instructional services:				
Food service operations	648,351	113,293	698,017	164,811
Extracurricular activities	608,840	439,376	597,382	389,437
Interest and fiscal charges	634,994	634,994	664,726	664,726
Total expenses	<u>\$ 14,081,793</u>	<u>\$ 12,028,359</u>	<u>\$ 13,725,654</u>	<u>\$ 11,457,537</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 81.97% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.42%. The District's taxpayers, and grants and entitlements received from the State of Ohio, as a whole, are the primary support for the District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.



The District's Funds

The District's governmental funds reported a combined fund balance of \$9,176,787, which is lower than last year's total of \$9,894,534. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 7,265,267	\$ 7,933,607	\$ (668,340)	(8.42) %
Debt Service	1,140,187	974,902	165,285	16.95 %
Other Governmental	<u>771,333</u>	<u>986,025</u>	<u>(214,692)</u>	(21.77) %
Total	<u>\$ 9,176,787</u>	<u>\$ 9,894,534</u>	<u>\$ (717,747)</u>	(7.25) %

General Fund

The District's general fund balance decreased \$668,340. The table that follows assists in illustrating the financial activities of the general fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 4,996,233	\$ 5,984,453	\$ (988,220)	(16.51) %
Tuition	527,308	657,457	(130,149)	(19.80) %
Earnings on investments	69,911	254,278	(184,367)	(72.51) %
Intergovernmental	4,729,295	4,489,659	239,636	5.34 %
Other revenues	<u>389,164</u>	<u>390,818</u>	<u>(1,654)</u>	(0.42) %
 Total	 <u>\$ 10,711,911</u>	 <u>\$ 11,776,665</u>	 <u>\$ (1,064,754)</u>	 (9.04) %
<u>Expenditures</u>				
Instruction	\$ 5,873,059	\$ 5,655,930	\$ 217,129	3.84 %
Support services	4,326,274	4,396,895	(70,621)	(1.61) %
Extracurricular activities	400,429	370,570	29,859	8.06 %
Facilities acquisition and construction	1,674	6,325	(4,651)	(73.53) %
Debt service	<u>26,220</u>	<u>26,220</u>	<u>-</u>	- %
 Total	 <u>\$ 10,627,656</u>	 <u>\$ 10,455,940</u>	 <u>\$ 171,716</u>	 1.64 %

The significant decrease in earnings on investments is primarily due to a decrease in interest rates. The primary reason for the decrease in tax revenues and the increase in intergovernmental revenues is due to the phase out of the tangible personal property taxes. Tax revenues also decreased due to the increase in delinquent taxes receivable and real estate taxes collected by the County Auditor and available as an advance at June 30, 2009. This is also due to the economy's downward spiral affecting job and collections received to the District. The decrease in tuition revenue is due to the decrease in open enrollment revenues. The decrease in facilities acquisition and construction is due to the completion of the additions to the high school/middle school and the elementary school. The increase in instruction is due to the increase in utility and significant transfers into the health insurance funds as well as the negotiated salary raises per the negotiated agreements.

Debt Service Fund

The debt service fund had \$2,705,456 in revenues and other financing sources and \$2,540,171 in expenditures. During fiscal year 2009, the debt service fund's fund balance increased \$165,285, or 16.95% of the 2008 fund balance. The debt service fund's revenues decreased 11.51% due to a decrease in tax receipts in the current year. The overall increase in fund balance is due to the rollovers of bond anticipation notes and subsequent principal reduction. However, activity was consistent with the previous year.

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 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$11,474,269 and final budgeted revenues and other financing sources were \$10,979,919. Actual revenues and other financing sources for fiscal year 2009 were \$10,863,137. This represents a \$116,782 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,334,817 were amended several times during the fiscal year. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$11,672,163, which was \$152,646 above the final budget appropriations of \$11,519,517.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$30,258,358 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 2009 balances compared to 2008:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 254,158	\$ 254,158
Land improvements	256,012	285,812
Building and improvements	28,961,889	29,633,123
Furniture and equipment	459,430	452,819
Vehicles	<u>326,869</u>	<u>273,730</u>
Total	<u>\$ 30,258,358</u>	<u>\$ 30,899,642</u>

Depreciation expense of \$798,192 and disposals of \$12,151 (net of accumulated depreciation) exceeded capital outlays of \$169,059 in the current fiscal year.

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

Debt Administration

At June 30, 2009, the District had \$51,000 in energy conservation bonds, \$13,370,000 in general obligation bonds, \$1,350,000 in bond anticipation notes, and \$6,468 in capital lease obligations outstanding. Of this total, \$1,772,468 is due within one year and \$13,005,000 is due in greater than one year. The following table summarizes the bonds, notes and capital leases outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Energy conservation bonds	\$ 51,000	\$ 102,000
Capital lease obligations	6,468	31,091
General obligation bonds	13,370,000	13,685,000
Bond anticipation notes	<u>1,350,000</u>	<u>1,500,000</u>
Total	<u>\$ 14,777,468</u>	<u>\$ 15,318,091</u>

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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.

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

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

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

Contacting the District's Financial Management

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

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 7,718,863
Cash with escrow agent.	12,658
Receivables:	
Taxes	5,820,576
Accounts	18,921
Intergovernmental	42,759
Accrued interest	13,307
Prepayments	44,390
Materials and supplies inventory	4,745
Unamortized bond issue costs	155,895
Capital assets:	
Land	254,158
Depreciable capital assets, net	30,004,200
Total capital assets, net.	<u>30,258,358</u>
Total assets.	<u>44,090,472</u>
Liabilities:	
Accounts payable.	72,575
Retainage payable	12,658
Accrued wages and benefits	885,951
Pension obligation payable.	279,175
Intergovernmental payable	32,140
Unearned revenue	2,911,184
Claims payable	99,756
Accrued interest payable	67,603
Long-term liabilities:	
Due within one year.	1,842,730
Due in more than one year	13,998,007
Total liabilities	<u>20,201,779</u>
Net Assets:	
Invested in capital assets, net of related debt.	15,324,995
Restricted for:	
Capital projects	353,355
Debt service.	1,096,921
School facilities projects	259,038
Locally funded programs.	19,315
State funded programs	33
Federally funded programs.	7,253
Student activities.	62,846
Other purposes	121,748
Unrestricted	<u>6,643,189</u>
Total net assets	<u>\$ 23,888,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 5,403,540	\$ 572,545	\$ 26,637	\$ 7,406		\$ (4,796,952)
Special	1,701,095	22,628	630,053	-		(1,048,414)
Vocational	-	-	1,500	-		1,500
Other	27,517	-	25,478	-		(2,039)
Support services:						
Pupil.	574,719	-	8,082	-		(566,637)
Instructional staff	564,764	-	14,528	-		(550,236)
Board of education	71,461	-	-	-		(71,461)
Administration.	891,366	-	-	-		(891,366)
Fiscal.	452,186	-	-	-		(452,186)
Business.	60,012	-	-	-		(60,012)
Operations and maintenance	1,677,094	4,860	1,171	-		(1,671,063)
Pupil transportation	469,447	-	8,424	9,170		(451,853)
Central	296,407	-	16,430	-		(279,977)
Operation of non-instructional services:						
Food service operations.	648,351	323,090	211,968	-		(113,293)
Extracurricular activities	608,840	154,810	14,654	-		(439,376)
Interest and fiscal charges	634,994	-	-	-		(634,994)
Total governmental activities	\$ 14,081,793	\$ 1,077,933	\$ 958,925	\$ 16,576		(12,028,359)
General Revenues:						
Property taxes levied for:						
General purposes						4,191,070
Special revenue						59,905
Debt service.						1,029,219
School district income tax						718,846
Grants and entitlements not restricted to specific programs.						4,757,253
Payment in lieu of taxes						383,856
Investment earnings						82,136
Miscellaneous						448
Total general revenues						11,222,733
Change in net assets						(805,626)
Net assets at beginning of year						24,694,319
Net assets at end of year						\$ 23,888,693

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,106,835	\$ 654,701	\$ 808,055	\$ 7,569,591
Cash with escrow agent	-	-	12,658	12,658
Receivables:				
Taxes	4,799,628	966,337	54,611	5,820,576
Accounts	14,670	-	610	15,280
Intergovernmental	29,829	-	12,930	42,759
Accrued interest	13,307	-	-	13,307
Prepayments	44,390	-	-	44,390
Materials and supplies inventory	-	-	4,745	4,745
Restricted assets:				
Equity in pooled cash and cash equivalents	3,880	-	-	3,880
Total assets	\$ 11,012,539	\$ 1,621,038	\$ 893,609	\$ 13,527,186
Liabilities:				
Accounts payable	\$ 22,168	\$ -	\$ 29,686	\$ 51,854
Retainage payable	-	-	12,658	12,658
Accrued wages and benefits	856,539	-	29,412	885,951
Compensated absences payable	21,805	-	-	21,805
Pension obligation payable.	256,088	-	23,087	279,175
Intergovernmental payable.	30,702	-	1,438	32,140
Deferred revenue.	129,809	24,337	1,486	155,632
Unearned revenue	2,430,161	456,514	24,509	2,911,184
Total liabilities	\$ 3,747,272	\$ 480,851	\$ 122,276	\$ 4,350,399
Fund Balances:				
Reserved for encumbrances	93,266	-	113,942	207,208
Reserved for materials and supplies inventory.	-	-	4,745	4,745
Reserved for prepayments	44,390	-	-	44,390
Reserved for property tax unavailable for appropriation	1,978,339	485,486	28,616	2,492,441
Reserved for debt service	-	654,701	-	654,701
Reserved for school bus purchases	3,880	-	-	3,880
Unreserved, undesignated, reported in:				
General fund	5,145,392	-	-	5,145,392
Special revenue funds.	-	-	367,097	367,097
Capital projects funds.	-	-	256,933	256,933
Total fund balances	\$ 7,265,267	\$ 1,140,187	\$ 771,333	\$ 9,176,787
Total liabilities and fund balances	\$ 11,012,539	\$ 1,621,038	\$ 893,609	\$ 13,527,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	9,176,787
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			30,258,358
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	126,665	
Intergovernmental receivable		17,045	
Accrued interest receivable		11,922	
Total		155,632	155,632
Unamortized bond issuance costs are not recognized in the funds			155,895
Unamortized premiums on bond issuances are not recognized in the funds.			(155,895)
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.			(67,603)
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		(885,569)	
Energy conservation bonds payable		(51,000)	
Bond anticipation notes		(1,350,000)	
General obligation bonds payable		(13,370,000)	
Capital lease obligation payable		(6,468)	
Total		(15,663,037)	(15,663,037)
An internal service fund is used by management to charge the costs of self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net assets.			28,556
Net assets of governmental activities		\$	23,888,693

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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,996,233	\$ 1,049,711	\$ 61,277	\$ 6,107,221
Tuition.	527,308	-	-	527,308
Charges for services.	-	-	323,090	323,090
Earnings on investments.	69,911	-	3,556	73,467
Extracurricular.	-	-	174,297	174,297
Classroom materials and fees	-	-	48,378	48,378
Rental income	4,860	-	-	4,860
Contributions and donations.	-	-	38,685	38,685
Other local revenues.	384,304	-	210	384,514
Intergovernmental - Intermediate	-	-	1,998	1,998
Intergovernmental - State.	4,729,295	250,600	72,113	5,052,008
Intergovernmental - Federal	-	-	622,861	622,861
Total revenue	<u>10,711,911</u>	<u>1,300,311</u>	<u>1,346,465</u>	<u>13,358,687</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,688,602	-	90,469	4,779,071
Special.	1,184,457	-	392,780	1,577,237
Other.	-	-	25,295	25,295
Support services:				
Pupil.	467,692	-	10,985	478,677
Instructional staff	528,728	-	13,991	542,719
Board of education	70,508	-	-	70,508
Administration.	739,401	30,243	-	769,644
Fiscal	406,779	-	1,575	408,354
Business	58,222	-	-	58,222
Operations and maintenance.	1,304,997	-	93,105	1,398,102
Pupil transportation	489,621	-	-	489,621
Central.	260,326	-	16,917	277,243
Operation of non-instructional services:				
Food service operations	-	-	586,009	586,009
Extracurricular activities.	400,429	-	163,478	563,907
Facilities acquisition and construction	1,674	-	263,053	264,727
Debt service:				
Principal retirement	24,623	1,866,000	-	1,890,623
Interest and fiscal charges	1,597	643,928	-	645,525
Total expenditures	<u>10,627,656</u>	<u>2,540,171</u>	<u>1,657,657</u>	<u>14,825,484</u>
Excess of revenues over (under) expenditures.	<u>84,255</u>	<u>(1,239,860)</u>	<u>(311,192)</u>	<u>(1,466,797)</u>
Other financing sources (uses):				
Transfers in	-	55,145	96,500	151,645
Transfers (out).	(752,595)	-	-	(752,595)
Issuance of notes	-	1,350,000	-	1,350,000
Total other financing sources (uses)	<u>(752,595)</u>	<u>1,405,145</u>	<u>96,500</u>	<u>749,050</u>
Net change in fund balances	(668,340)	165,285	(214,692)	(717,747)
Fund balances at beginning of year	<u>7,933,607</u>	<u>974,902</u>	<u>986,025</u>	<u>9,894,534</u>
Fund balances at end of year.	<u>\$ 7,265,267</u>	<u>\$ 1,140,187</u>	<u>\$ 771,333</u>	<u>\$ 9,176,787</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (717,747)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 169,059	
Current year depreciation	<u>(798,192)</u>	
Total		(629,133)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (12,151)

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

Delinquent property taxes	(108,181)	
Intergovernmental	16,992	
Accrued interest	<u>8,669</u>	
Total		(82,520)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the of statement net assets. 1,890,623

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

Decrease in accrued interest payable	10,531	
Amortization of bond premium	6,928	
Amortization of bond issue costs	<u>(6,928)</u>	
Total		10,531

The issuance of bond anticipation notes is recorded as an other financing source in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (1,350,000)

Some expenses such as compensated absences are reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (36,984)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. 121,755

Change in net assets of governmental activities \$ (805,626)

**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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,246,853	\$ 5,020,800	\$ 4,911,737	\$ (109,063)
Tuition.	590,961	565,500	564,846	(654)
Earnings on investments.	74,353	71,150	70,532	(618)
Rental income.	5,225	5,000	4,860	(140)
Other local revenues.	403,274	385,900	385,380	(520)
Intergovernmental - State.	4,942,404	4,729,469	4,727,023	(2,446)
Total revenues	<u>11,263,070</u>	<u>10,777,819</u>	<u>10,664,378</u>	<u>(113,441)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,816,453	4,894,936	4,767,498	127,438
Special.	1,187,252	1,206,598	1,165,028	41,570
Other.	1,476	1,500	-	1,500
Support services:				
Pupil.	516,962	525,386	469,967	55,419
Instructional staff	451,824	459,186	547,147	(87,961)
Board of education	113,808	115,663	83,590	32,073
Administration.	756,171	768,493	759,323	9,170
Fiscal	421,148	428,011	432,686	(4,675)
Business	73,964	75,169	77,962	(2,793)
Operations and maintenance.	1,243,346	1,263,606	1,376,770	(113,164)
Pupil transportation	536,110	544,846	530,445	14,401
Central.	255,636	259,802	272,662	(12,860)
Extracurricular activities.	392,086	398,475	412,137	(13,662)
Facilities acquisition and construction.	27,400	27,846	1,674	26,172
Total expenditures	<u>10,793,636</u>	<u>10,969,517</u>	<u>10,896,889</u>	<u>72,628</u>
Excess of revenues over (under) expenditures.	<u>469,434</u>	<u>(191,698)</u>	<u>(232,511)</u>	<u>(40,813)</u>
Other financing sources (uses):				
Sale of capital assets	1,045	1,000	370	(630)
Transfers (out)	(521,502)	(530,000)	(752,595)	(222,595)
Advances in.	173,578	166,100	166,055	(45)
Refund of prior year expenditure.	36,576	35,000	32,334	(2,666)
Refund of prior year receipt.	(19,679)	(20,000)	(22,679)	(2,679)
Total other financing sources (uses)	<u>(329,982)</u>	<u>(347,900)</u>	<u>(576,515)</u>	<u>(228,615)</u>
Net change in fund balance.	139,452	(539,598)	(809,026)	(269,428)
Fund balance at beginning of year	6,710,220	6,710,220	6,710,220	-
Prior year encumbrances appropriated	104,422	104,422	104,422	-
Fund balance at end of year	<u>\$ 6,954,094</u>	<u>\$ 6,275,044</u>	<u>\$ 6,005,616</u>	<u>\$ (269,428)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

		Governmental Activities - Internal Service Fund
Assets:		
Current:		
Equity in pooled cash and cash equivalents.	\$	145,392
 Receivables:		
Accounts		3,641
 Total assets		149,033
 Liabilities:		
Current:		
Accounts payable		20,721
Claims payable		99,756
 Total liabilities		120,477
 Net assets:		
Unrestricted.		28,556
 Total net assets	\$	28,556

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services.	\$ 654,578
Total operating revenues	654,578
Operating expenses:	
Purchased services	319,685
Claims expense	814,088
Total operating expenses	1,133,773
Operating loss before transfers	(479,195)
Transfer in	600,950
Change in net assets.	121,755
Net assets (deficit) at beginning of year. .	(93,199)
Net assets at end of year.	\$ 28,556

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, 2009

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash receipts from charges for services	\$ 818,817
Cash payments for purchased services	(321,367)
Cash payments for claims	(812,237)
	(314,787)
Net cash used in operating activities	
	(314,787)
Cash flows from noncapital financing activities:	
Cash received from transfers in	600,950
Cash used in repayment of interfund loans.	(166,000)
	434,950
Net cash provided by noncapital financing activities.	
	434,950
Net increase in cash and cash equivalents.	
	120,163
Cash and cash equivalents at beginning of year	
	25,229
Cash and cash equivalents at end of year.	
	\$ 145,392
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (479,195)
Changes in assets and liabilities:	
Decrease in accounts receivable	164,239
Decrease in accounts payable.	(1,682)
Increase in claims payable.	1,851
	1,851
Net cash used in operating activities	
	\$ (314,787)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 335,112	\$ 44,079
Total assets.	335,112	\$ 44,079
Liabilities:		
Accounts payable.	-	\$ 27
Due to students	-	44,052
Total liabilities	-	\$ 44,079
Net Assets:		
Held in trust for scholarships	335,112	
Total net assets	\$ 335,112	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 5,343
Gifts and contributions	3,964
	9,307
Deductions:	
Scholarships awarded	10,928
Change in net assets	(1,621)
Net assets at beginning of year.	336,733
Net assets at end of year	\$ 335,112

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 424th largest in the State of Ohio among 922 public school districts and community schools in terms of enrollment. It is staffed by 59 non-certified employees and 92 certified full-time teaching personnel who provide services to 1,221 students and other community members. The District currently operates 2 instructional buildings and 1 administrative building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Education Council (MEC)

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

Tolles Career & Technical Center

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

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 are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) food service operations, and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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 2009 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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificate issued for fiscal year 2009.
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. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The permanent appropriation measure was approved July 2008. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2009, investments were limited to repurchase agreements. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund 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 2009 amounted to \$69,911, which includes \$9,638 assigned from other funds.

The District has cash held for construction retainage at June 30, 2009. This is reported as "cash with escrow agent" on the statement of net assets.

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

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

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.

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

H. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.

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, 2009, 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, 2009 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax unavailable for appropriation, debt service, and school bus purchases. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

M. Net Assets

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

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

N. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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 set-aside to establish a school bus purchase reserve. This reserve is required by State statute. A schedule of the statutory reserve is presented in Note 17.

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 Issuance Costs and Bond Premiums

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 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 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances/Net Assets

Fund balances and net assets at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 46,674
Education management information systems	18
Entry year	19
Poverty aid	55
Miscellaneous state grants	1
Title II-A	122

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 result from adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash with Escrow Agent

At fiscal year end, \$12,658 was on deposit in the District's escrow account and included in the total amount of deposits reported below. This amount is part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$5,102,734, exclusive of the \$3,007,978 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$3,870,472 of the District's bank balance of \$5,127,174 was exposed to custodial risk as discussed below, while \$1,256,702 was covered by the FDIC.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>6 months or less</u>
Repurchase agreement	\$ 3,007,978	\$ 3,007,978
Total	<u>\$ 3,007,978</u>	<u>\$ 3,007,978</u>

Interest Rate Risk: Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$3,007,978 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 3,007,978	100.00
Total	<u>\$ 3,007,978</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,102,734
Investments	<u>3,007,978</u>
Total	<u>\$ 8,110,712</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,731,521
Fiduciary funds	<u>379,191</u>
Total	<u>\$ 8,110,712</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to nonmajor governmental fund from:	
General fund	\$ 96,500
Transfers to debt service fund from:	
General fund	55,145
Transfers to internal service fund from:	
General fund	<u>600,950</u>
Total transfers	<u>\$ 752,595</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move debt proceeds to the fund which is required to expend them.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,978,339 in the general fund, \$485,486 in the debt service fund and \$28,616 in the maintenance program fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$1,786,135 in the general fund, \$434,053 in the debt service fund and \$26,941 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 tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 146,843,440	89.69	\$ 157,296,180	93.84
Tangible and public utility personal property	<u>16,876,150</u>	<u>10.31</u>	<u>10,329,920</u>	<u>6.16</u>
Total	<u>\$ 163,719,590</u>	<u>100.00</u>	<u>\$ 167,626,100</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$38.80		\$38.80	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District currently benefits from a 1/2% income tax, which is assessed on all residents of the District. In 2009, the District income tax generated \$718,846 in revenue. The District apportions all the proceeds to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 5,820,576
Accounts	18,921
Intergovernmental	42,759
Accrued interest	<u>13,307</u>
Total	<u>\$ 5,895,563</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> 6/30/08	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> 6/30/09
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 254,158	\$ -	\$ -	\$ 254,158
Total capital assets, not being depreciated	<u>254,158</u>	<u>-</u>	<u>-</u>	<u>254,158</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	489,480	-	-	489,480
Buildings and improvements	32,439,827	60	-	32,439,887
Furniture and equipment	719,728	54,914	(13,425)	761,217
Vehicles	759,015	114,085	(64,798)	808,302
Total capital assets, being depreciated	<u>34,408,050</u>	<u>169,059</u>	<u>(78,223)</u>	<u>34,498,886</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(203,668)	(29,800)	-	(233,468)
Buildings and improvements	(2,806,704)	(671,294)	-	(3,477,998)
Furniture and equipment	(266,909)	(47,765)	12,887	(301,787)
Vehicles	(485,285)	(49,333)	53,185	(481,433)
Total accumulated depreciation	<u>(3,762,566)</u>	<u>(798,192)</u>	<u>66,072</u>	<u>(4,494,686)</u>
Governmental activities capital assets, net	<u>\$ 30,899,642</u>	<u>\$ (629,133)</u>	<u>\$ (12,151)</u>	<u>\$ 30,258,358</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 361,128
Special	74,693
Other	2,222
<u>Support services:</u>	
Pupil	47,460
Instructional staff	38,602
Board of education	953
Administration	78,752
Fiscal	20,542
Business	1,790
Operations & maintenance	59,656
Pupil transportation	24,887
Central	14,202
Extracurricular	37,522
Food service operation	<u>35,783</u>
Total depreciation expense	<u>\$ 798,192</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital lease payments are recorded as regular instruction and fiscal support expenditures in the budgetary statements. At June 30, 2009, the capital assets acquired by the capital lease obligations outstanding at fiscal year end have been capitalized in the amount of \$107,737, which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$96,962, leaving a current book value of \$10,775.

A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$24,623 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	<u>\$ 6,554</u>
Total minimum lease payments	<u>6,554</u>
Less: amount representing interest	<u>(86)</u>
Total	<u>\$ 6,468</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Balance Outstanding 06/30/08	Additions	Reductions	Balance Outstanding 06/30/09	Amounts Due in One Year
Governmental Activities:						
Energy conservation bonds	5.30%	\$ 102,000	\$ -	\$ (51,000)	\$ 51,000	\$ 51,000
General obligation bonds	1.75-5.0%	13,685,000	-	(315,000)	13,370,000	365,000
Bond anticipation notes	4.125%	1,500,000	-	(1,500,000)	-	-
Bond anticipation notes	3.375%	-	1,350,000	-	1,350,000	1,350,000
Capital lease obligation		31,091	-	(24,623)	6,468	6,468
Compensated absences	N/A	949,364	169,659	(211,649)	907,374	70,262
Total long-term obligations, governmental activities		<u>\$ 16,267,455</u>	<u>\$ 1,519,659</u>	<u>\$ (2,102,272)</u>	15,684,842	<u>\$ 1,842,730</u>
Unamortized premium					155,895	
Total long-term obligations					<u>\$ 15,840,737</u>	

Energy Conservation Bonds - On September 25, 2003, the District issued bonds in the amount of \$357,000. The bonds were issued for the purpose of upgrading buildings owned by the District to reduce energy consumption. The bonds were issued at 5.30% for 7 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. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 6.9 mil bonded debt tax levy.

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

Bond Anticipation Notes - On November 25, 2008, the District issued \$1,350,000 in general obligation notes to retire previously issued notes which matured. The maturity date on the new notes was November 24, 2009. These notes are general obligations of the District for which the full faith and credit of the District pledged for repayment. These unmatured obligations of the District are accounted for in the statement of net assets. Principal and interest are recorded in the debt service fund. The source of repayment is the current 6.9 mil levy.

Capital Lease Obligation - See Note 10 for detail.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending <u>June 30</u>	Principal on Construction <u>Bonds</u>	Interest on Construction <u>Bonds</u>	<u>Total</u>	Principal on Energy Conser- vation Bonds	Interest on Energy Conser- vation Bonds	<u>Total</u>
2010	\$ 365,000	\$ 570,544	\$ 935,544	\$ 51,000	\$ 1,389	\$ 52,389
2011	375,000	560,356	935,356	-	-	-
2012	390,000	546,931	936,931	-	-	-
2013	405,000	532,044	937,044	-	-	-
2014	415,000	517,694	932,694	-	-	-
2015 - 2019	2,330,000	2,334,012	4,664,012	-	-	-
2020 - 2024	2,870,000	1,772,344	4,642,344	-	-	-
2025 - 2029	3,640,000	985,734	4,625,734	-	-	-
2030 - 2032	2,580,000	171,719	2,751,719	-	-	-
Total	<u>\$ 13,370,000</u>	<u>\$ 7,991,378</u>	<u>\$ 21,361,378</u>	<u>\$ 51,000</u>	<u>\$ 1,389</u>	<u>\$ 52,389</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$2,283,643 (including available funds of \$1,140,187) and an unvoted debt margin of \$161,261.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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, errors and omissions, injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Ohio School Plan for property, fleet and liability insurance. Coverages provided are as follows:

<u>Description</u>	<u>Amount</u>
Building and Contents	
Replacement cost	\$42,522,418
Deductible	1,000
Liability	
School Board Errors and Omissions Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Deductible	2,500
General Liability	
Per occurrence combined single limit	1,000,000
Annual aggregate limit	3,000,000
Medical payments limit	10,000
Employee Benefits Liability	
Each wrongful act limit	1,000,000
Annual aggregate limit	3,000,000
Deductible	0
Stop Gap	
Each accident	1,000,000
Disease each employee	1,000,000
Disease policy limit	1,000,000
Automotive Liability	
Liability	
Per occurrence combined single limit	1,000,000
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT - (Continued)

B. 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 several Districts within the Eastern Region, in which monthly premiums are paid to the fiscal agent who in turn pays the claims in the District's behalf. The claims liability of \$99,756 reported in the internal service fund at June 30, 2009, is based on an estimate provided by Klais & Company, Inc. (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 claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling claims. 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>
2009	\$ 97,905	\$ 814,088	\$ (812,237)	\$ 99,756
2008	68,355	973,824	(944,274)	97,905

C. 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. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 13 - PENSION PLANS - (Continued)

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$160,566, \$152,497 and \$155,763, respectively; 52.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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 2009, 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
MADISON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$704,475, \$657,317 and \$620,349, respectively; 83.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$17,465 made by the District and \$25,827 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, 2009, 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of 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, 2009, 2008, and 2007 were \$106,673, \$101,574 and \$81,437, respectively; 52.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,248, \$10,988 and \$10,592, respectively; 52.53 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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 2009, 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, 2009, 2008, and 2007 were \$54,190, \$50,563 and \$47,719, respectively; 83.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (809,026)
Net adjustment for revenue accruals	47,533
Net adjustment for expenditure accruals	164,134
Net adjustment for other sources/uses	(176,080)
Adjustment for encumbrances	<u>105,099</u>
GAAP basis	<u>\$ (668,340)</u>

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, 2009

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (868,407)	\$ (16,445,835)
Current year set-aside requirement	196,033	196,033
Current year offsets	-	(59,602)
Qualifying disbursements	<u>(503,969)</u>	<u>(330,027)</u>
Total	<u>\$ (1,176,343)</u>	<u>\$ (16,639,431)</u>
Balance carried forward to FY 2010	<u>\$ (1,176,343)</u>	<u>\$ (16,445,835)</u>

The District had qualifying expenditures during the year and an offset at the beginning of the year that reduced the set-aside amount below zero for the capital acquisition reserve. Because the District was involved in an OSFC project, this negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had qualifying expenditures during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received \$3,880 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for bus purchases	\$ <u>3,880</u>
Total restricted assets	\$ <u><u>3,880</u></u>

SUPPLEMENTARY DATA

**JEFFERSON LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
<i>Nutrition Cluster:</i>				
(C)(D) School Breakfast Program	10.553	2009	\$ 22,413	\$ 22,413
Total School Breakfast Program			<u>22,413</u>	<u>22,413</u>
(D)(E) National School Lunch Program - Food Donation	10.555	2009	26,569	26,569
(C)(D) National School Lunch Program	10.555	2009	157,084	157,084
Total National School Lunch Program			<u>183,653</u>	<u>183,653</u>
Total Nutrition Cluster			<u>206,066</u>	<u>206,066</u>
Total U.S. Department of Agriculture			<u>206,066</u>	<u>206,066</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2008	108	53
Title I Grants to Local Educational Agencies	84.010	2009	112,668	112,668
Total Title I Grants to Local Educational Agencies			<u>112,776</u>	<u>112,721</u>
Special Education_Grants to States	84.027	2009	246,947	246,947
Total Special Education _Grants to States			<u>246,947</u>	<u>246,947</u>
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	2,930	2,930
Total Safe and Drug-Free Schools and Communities_State Grants			<u>2,930</u>	<u>2,930</u>
State Grants for Innovative Programs	84.298	2009	1,256	1,256
Total State Grants for Innovative Programs			<u>1,256</u>	<u>1,256</u>
Education Technology State Grants	84.318	2009	398	398
Total Education Technology State Grants			<u>398</u>	<u>398</u>
Improving Teacher Quality State Grants	84.367	2009	39,566	39,566
Total U.S. Department of Education			<u>403,873</u>	<u>403,818</u>
Total Federal Financial Assistance			<u>\$ 609,939</u>	<u>\$ 609,884</u>

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

- (A) OAKS did not assign pass through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jefferson Local School District as of and for the fiscal year ended June 30, 2009, which collectively comprise Jefferson Local School District's basic financial statements and have issued our report thereon dated October 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Jefferson Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Jefferson Local School District's financial statements that is more than inconsequential will not be prevented or detected by the Jefferson Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Jefferson Local School District's internal control.

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

Board of Education
Jefferson Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jefferson Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education of the Jefferson Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Julian & Grube, Inc.
October 29, 2009



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

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

Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Jefferson Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2009. The Jefferson Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Jefferson Local School District's management. Our responsibility is to express an opinion on the Jefferson Local School District's compliance based on our audit.

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

In our opinion, the Jefferson Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

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

Board of Education
Jefferson Local School District

A control deficiency in Jefferson Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jefferson Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Jefferson Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Jefferson Local School District's internal control.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management and Board of Education of the Jefferson Local School District and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Julian & Grube, Inc.
October 29, 2009

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2009**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

Jefferson Local School District
Madison County
906 West Main Street
West Jefferson, Ohio 43162-1144

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 23, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

Independent Accountant's Report on Applying Agreed-Upon Procedures
Jefferson Local School District
Page Two

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Education of Jefferson Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
October 29, 2009



Mary Taylor, CPA
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
DECEMBER 17, 2009