



**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and similar fiduciary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures is presented for 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 general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

January 15, 2002

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**Jefferson Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	(Memorandum)	
	Revenue	Service	Projects		Service	Agency	Fixed Assets	Long Term Debt		
General									2001	
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 1,311,110	93,664	2,180	279,019	38,639	220,271	338,422	0	0	\$ 2,283,305
Restricted Cash	75,000	0	0	0	0	0	0	0	0	75,000
Taxes Receivable	3,382,019	0	0	304,995	0	0	0	0	0	3,687,014
Due from Other Funds	0	0	0	0	0	0	4,465	0	0	4,465
Intergovernmental Receivable	0	0	0	0	9,655	0	0	0	0	9,655
Accounts Receivable	1,933	147	0	0	0	0	0	0	0	2,080
Supplies Inventory	9,008	0	0	0	402	0	0	0	0	9,410
Inventory for Resale	0	0	0	0	5,929	0	0	0	0	5,929
Property, Plant & Equipment	0	0	0	0	133,050	0	0	7,662,534	0	7,795,584
Accumulated Depreciation, where applicable	0	0	0	0	(77,192)	0	0	0	0	(77,192)
Amount Available in Debt Service	0	0	0	0	0	0	0	0	2,180	2,180
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	1,107,765	1,107,765
Total Assets and Other Debits	\$ 4,779,070	93,811	2,180	584,014	110,483	220,271	342,887	7,662,534	1,109,945	\$ 14,905,195

(Continued)

**Jefferson Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2001**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	(Memorandum)
		Revenue	Service	Projects		Service	Agency	Fixed Assets	Long Term Debt	
Liabilities:										
Due to Other Funds	\$ 4,130	119	0	0	216	0	0	0	0	\$ 4,465
Intergovernmental Payables	113,010	2,104	0	0	18,458	0	17,070	0	59,775	210,417
Accounts Payable	80,052	2,671	0	7,932	4,398	0	2,223	0	0	97,276
Accrued Salaries and Benefits	556,724	17,404	0	0	16,919	0	0	0	0	591,047
Deferred Revenue	1,886,161	0	0	184,188	4,053	0	0	0	0	2,074,402
Claims Payable	0	0	0	0	0	44,232	0	0	0	44,232
Due to Others	0	0	0	0	0	0	35,726	0	0	35,726
General Obligations Payable	0	0	0	0	0	0	0	0	28,940	28,940
Capital Leases Payable	0	0	0	0	0	0	0	0	19,983	19,983
Compensated Absences Payable	13,890	0	0	0	20,246	0	0	0	1,001,247	1,035,383
Total Liabilities	2,653,967	22,298	0	192,120	64,290	44,232	55,019	0	1,109,945	4,141,871
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,662,534	0	7,662,534
Contributed Capital	0	0	0	0	31,304	0	0	0	0	31,304
Retained Earnings	0	0	0	0	14,889	176,039	0	0	0	190,928
Fund Balances:										
Reserved for Contributions	0	0	0	0	0	0	187,207	0	0	187,207
Reserved for Supplies Inventory	9,008	0	0	0	0	0	0	0	0	9,008
Reserved for Encumbrances	173,348	10,232	0	25,480	0	0	200	0	0	209,260
Reserved for Budget Stabilization	75,000	0	0	0	0	0	0	0	0	75,000
Reserved for Future Appropriation	1,217,941	0	0	117,175	0	0	0	0	0	1,335,116
Unreserved Fund Balance	649,806	61,281	2,180	249,239	0	0	100,461	0	0	1,062,967
Total Fund Equity	2,125,103	71,513	2,180	391,894	0	0	287,868	0	0	2,878,558
Total Fund Balances/Retained Earnings and Other Credits	2,125,103	71,513	2,180	391,894	46,193	176,039	287,868	7,662,534	0	10,763,324
Total Liabilities, Fund Equity, and Other Credits	\$ 4,779,070	93,811	2,180	584,014	110,483	220,271	342,887	7,662,534	1,109,945	\$ 14,905,195

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	(Memorandum) (Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 3,661,322	0	0	300,459	0	\$ 3,961,781
Tuition	44,791	0	0	0	0	44,791
Earnings on Investments	139,548	0	0	0	3,475	143,023
Extracurricular Activities	0	204,960	0	0	0	204,960
Miscellaneous	24,738	12,866	0	0	9,234	46,838
Local Restricted Grants-in- Aid	0	10,430	0	0	0	10,430
State Unrestricted Grants-in-Aid	3,800,569	0	0	31,070	0	3,831,639
State Restricted Grants-in-Aid	19,130	57,837	0	70,500	0	147,467
Federal Restricted Grants-in-Aid	0	211,982	0	0	0	211,982
Total Revenue	7,690,098	498,075	0	402,029	12,709	8,602,911
EXPENDITURES:						
Current:						
Instruction						
Regular	3,236,148	206,374	0	75,464	4,808	3,522,794
Special	714,074	169,209	0	0	0	883,283
Vocational/Other	103,490	875	0	0	0	104,365
Supporting Services						
Pupils	356,804	21,854	0	137,953	0	516,611
Instructional Staff	173,969	45,951	0	0	0	219,920
Board of Education	35,651	0	0	0	0	35,651
Administration	832,197	1,262	0	7,286	0	840,745
Fiscal Services	259,814	0	0	0	0	259,814
Business	19,643	0	0	0	0	19,643
Operation & Maintenance-Plant	741,376	0	0	0	0	741,376
Pupil Transportation	256,222	0	0	0	0	256,222
Central	27,081	34,352	0	0	0	61,433
Operation of Non-Instructional Services						
Food Service Operations	567	0	0	1,721	0	2,288
Extracurricular Activities						
Academic & Subject Oriented	66,550	917	0	0	0	67,467
Sports Oriented	104,072	87,232	0	0	0	191,304
Co-Curricular Activities	0	1,434	0	0	0	1,434
Capital Outlay						
Site Improvement & Architecture	57,646	0	0	84,064	0	141,710
Building Acquisition & Construction	7,818	0	0	0	0	7,818
Building Improvement	1,547	0	0	10,802	0	12,349
Other Facilities Acquisition & Construction	0	0	0	40,091	0	40,091
Debt Service						
Repayment of Debt	0	0	19,169	0	0	19,169
Total Expenditures	6,994,669	569,460	19,169	357,381	4,808	7,945,487
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	695,429	(71,385)	(19,169)	44,648	7,901	657,424
Other Financing Sources and Uses:						
Sale & Loss of Assets	1,032	0	0	0	0	1,032
Transfers-In	30,000	0	21,349	0	0	51,349
Refund of Prior Years Expenditures	90	0	0	0	0	90
Transfers-Out	(85,849)	0	0	0	0	(85,849)
Refund of Prior Years Receipts	0	0	0	(24,000)	0	(24,000)
Net Other Financing Sources and Uses	(54,727)	0	21,349	(24,000)	0	(57,378)
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	640,702	(71,385)	2,180	20,648	7,901	600,046
Increase (Decrease) in Inventory	1,853	0	0	0	0	1,853
Beginning Fund Balance	1,482,548	142,898	0	371,246	60,012	2,056,704
Ending Fund Balance	\$ 2,125,103	71,513	2,180	391,894	67,913	\$ 2,658,603

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,407,144	3,595,470	188,326	0	0	\$ 0
Tuition	10,528	44,791	34,263	0	0	0
Earnings on Investment	81,527	139,709	58,182	0	0	0
Extracurricular Activities	0	0	0	203,275	204,867	1,592
Miscellaneous	12,963	25,293	12,330	6,441	12,866	6,425
Local Restricted Grants-in-Aid	0	0	0	0	10,430	10,430
State Unrestricted Grants-in-Aid	3,847,279	3,908,296	61,017	0	0	0
State Restricted Grants-in-Aid	20,369	19,130	(1,239)	48,520	57,837	9,317
Federal Restricted Grants-in-Aid	0	0	0	253,201	211,982	(41,219)
Total Revenue	7,379,810	7,732,689	352,879	511,437	497,982	(13,455)
Expenditures:						
Regular Instruction	3,380,939	3,275,646	105,293	237,364	202,725	34,639
Special Instruction	741,054	717,513	23,541	184,791	171,484	13,307
Vocational Instruction	103,936	103,177	759	0	0	0
Other Instruction	200	0	200	1,363	1,363	0
Support Services-Pupils	395,776	370,993	24,783	23,982	21,854	2,128
Support Services-Instructional Staff	202,594	188,196	14,398	58,909	50,377	8,532
Support Services-Board of Education	42,648	40,309	2,339	0	0	0
Support Services-Administration	866,708	835,126	31,582	1,254	1,253	1
Support Services-Fiscal	271,293	266,443	4,850	0	0	0
Support Services-Business	25,946	23,741	2,205	0	0	0
Operation & Maintenance-Plant	843,570	762,772	80,798	0	0	0
Support Services-Transportation	393,429	378,561	14,868	0	0	0
Support Services-Central	29,864	27,414	2,450	34,352	34,352	0
Food Service Operations	723	666	57	0	0	0
Academic & Subject Oriented	73,235	65,070	8,165	1,339	1,255	84
Sports Oriented	112,258	106,293	5,965	96,734	90,767	5,967
Co-Curricular Activities	0	0	0	2,423	1,893	530
Site Improvement & Architecture	17,296	17,296	0	0	0	0
Architecture & Engineering	40,500	40,500	0	0	0	0
Building Acquisition & Construction	7,818	7,818	0	0	0	0
Building Improvement	1,547	1,547	0	0	0	0
Other Facilities Acq. & Construction	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	7,551,334	7,229,081	322,253	642,511	577,323	65,188
Excess of Revenue Over (Under) Expenditures	(171,524)	503,608	675,132	(131,074)	(79,341)	51,733
Other Financing Sources (Uses):						
Sale & Loss of Assets	2,166	1,032	(1,134)	0	0	0
Transfers-In	288,128	128,001	(160,127)	30	0	(30)
Advances-In	100,000	100,000	0	0	0	0
Refund of Prior Year Expenditures	477	90	(387)	0	0	0
Transfers-Out	(183,860)	(183,850)	10	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	206,911	45,273	(161,638)	30	0	(30)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	35,387	548,881	513,494	(131,044)	(79,341)	51,703
Beginning Fund Balance	511,624	511,624	0	114,265	114,265	0
Prior Year Carry Over Encumbrances	110,098	110,098	0	47,615	47,615	0
Ending Fund Balance	\$ 657,109	1,170,603	513,494	30,836	82,539	\$ 51,703

(Continued)

Jefferson Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type - Continued
Year Ended June 30, 2001

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	308,886	297,043	\$ (11,843)
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Restricted Grants-In-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	15,476	31,070	15,594
State Restricted Grants-in-Aid	0	0	0	70,500	70,500	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	394,862	398,613	3,751
Expenditures:						
Regular Instruction	0	0	0	106,717	93,906	12,811
Special Instruction	0	0	0	1,313	1,313	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	144,613	140,877	3,736
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	7,286	7,286	0
Support Services-Fiscal	0	0	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services Operations	0	0	0	5,000	1,721	3,279
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement & Architecture	0	0	0	87,736	86,139	1,597
Architecture & Engineering	0	0	0	0	0	0
Building Acquisition & Construction	0	0	0	0	0	0
Building Improvement	0	0	0	19,000	10,802	8,198
Other Facilities Acq. & Construction	0	0	0	52,896	42,637	10,259
Repayment of Debt	21,349	19,169	2,180	0	0	0
Total Expenditures	21,349	19,169	2,180	424,561	384,681	39,880
Excess of Revenue Over (Under) Expenditures	(21,349)	(19,169)	2,180	(29,699)	13,932	43,631
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	21,989	21,349	(640)	551	0	(551)
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	(100,000)	(100,000)	0
Refund of Prior Year Receipts	0	0	0	(24,000)	(24,000)	0
Total Other Sources (Uses)	21,989	21,349	(640)	(123,449)	(124,000)	(551)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	640	2,180	1,540	(153,148)	(110,068)	43,080
Beginning Fund Balance	0	0	0	218,490	218,490	0
Prior Year Carry Over Encumbrances	0	0	0	137,144	137,144	0
Ending Fund Balance	\$ 640	2,180	1,540	202,486	245,566	\$ 43,080

(Continued)

Jefferson Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Similar Fiduciary Fund Type - Continued
Year Ended June 30, 2001

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,716,030	3,892,513	\$ 176,483
Tuition	0	0	0	10,528	44,791	34,263
Earnings on Investment	3,241	3,475	234	84,768	143,184	58,416
Extracurricular Activities	0	0	0	203,275	204,867	1,592
Miscellaneous	4,560	9,234	4,674	23,964	47,393	23,429
Local Restricted Grants-in-Aid	0	0	0	0	10,430	10,430
State Unrestricted Grants-in-Aid	0	0	0	3,862,755	3,939,366	76,611
State Restricted Grants-in-Aid	0	0	0	139,389	147,467	8,078
Federal Unrestricted Grants-in-Aid	0	0	0	253,201	211,982	(41,219)
Total Revenue	7,801	12,709	4,908	8,293,910	8,641,993	348,083
Expenditures:						
Regular Instruction	6,200	5,008	1,192	3,731,220	3,577,285	153,935
Special Instruction	0	0	0	927,158	890,310	36,848
Vocational Instruction	0	0	0	103,936	103,177	759
Other Instruction	0	0	0	1,563	1,363	200
Support Services-Pupils	0	0	0	564,371	533,724	30,647
Support Services-Instructional Staff	0	0	0	261,503	238,573	22,930
Support Services-Board of Education	0	0	0	42,648	40,309	2,339
Support Services-Administration	0	0	0	875,248	843,665	31,583
Support Services-Fiscal	0	0	0	271,293	266,443	4,850
Support Services-Business	0	0	0	25,946	23,741	2,205
Operation & Maintenance-Plant	0	0	0	843,570	762,772	80,798
Support Services-Transportation	0	0	0	393,429	378,561	14,868
Support Services-Central	0	0	0	64,216	61,766	2,450
Food Services Operations	0	0	0	5,723	2,387	3,336
Academic & Subject Oriented	0	0	0	74,574	66,325	8,249
Sports Oriented	0	0	0	208,992	197,060	11,932
Co-Curricular Activities	0	0	0	2,423	1,893	530
Site Improvement & Architecture	0	0	0	105,032	103,435	1,597
Architecture & Engineering	0	0	0	40,500	40,500	0
Building Acquisition & Construction	0	0	0	7,818	7,818	0
Building Improvement	0	0	0	20,547	12,349	8,198
Other Facilities Acq & Construction	0	0	0	52,896	42,637	10,259
Repayment of Debt	0	0	0	21,349	19,169	2,180
Total Expenditures	6,200	5,008	1,192	8,645,955	8,215,262	430,693
Excess of Revenue Over (Under) Expenditures	1,601	7,701	6,100	(352,045)	426,731	778,776
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	2,166	1,032	(1,134)
Transfers-In	0	0	0	310,698	149,350	(161,348)
Advances-In	0	0	0	100,000	100,000	0
Refund of Prior Year Expenditures	0	0	0	477	90	(387)
Transfers-Out	0	0	0	(183,860)	(183,850)	10
Advances-Out	0	0	0	(100,000)	(100,000)	0
Refund of Prior Year Receipts	0	0	0	(24,000)	(24,000)	0
Total Other Sources (Uses)	0	0	0	105,481	(57,378)	(162,859)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,601	7,701	6,100	(246,564)	369,353	615,917
Beginning Fund Balance	59,812	59,812	0	904,191	904,191	0
Prior Year Carry Over Encumbrances	200	200	0	295,057	295,057	0
Ending Fund Balance	\$ 61,613	67,713	6,100	952,684	1,568,601	\$ 615,917

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$ 260,523	0	0	\$ 260,523
Earnings on Investments	589	0	12,675	13,264
Tuition	56,287	0	0	56,287
Classroom Materials & Fees	40,936	0	0	40,936
Miscellaneous	0	432,033	0	432,033
Total Operating Revenue	358,335	432,033	12,675	803,043
Operating Expenses:				
Personal Services - Salary	181,053	0	0	181,053
Employee Benefits	36,343	0	0	36,343
Purchased Services	2,874	92,927	0	95,801
Supplies and Materials	237,711	0	0	237,711
Insurance Expenses	0	356,658	0	356,658
Other Expenses	327	0	9,377	9,704
Depreciation	2,581	0	0	2,581
Total Operating Expenses	460,889	449,585	9,377	919,851
Operating Income (Loss)	(102,554)	(17,552)	3,298	(116,808)
Non-Operating Revenues:				
Miscellaneous	325	0	0	325
Loss on Disposal of Assets	(7,906)	0	0	(7,906)
State Grants-In-Aid	3,589	0	0	3,589
Federal Grants-In-Aid	97,194	0	0	97,194
Total Non-Operating Revenues	93,202	0	0	93,202
Net Income (Loss) before Transfers	(9,352)	(17,552)	3,298	(23,606)
Transfers-In	10,500	54,000	0	64,500
Net Income	1,148	36,448	3,298	40,894
Beginning Retained Earnings	13,741	139,591	216,657	369,989
Retained Earnings at End of Year	\$ 14,889	176,039	219,955	\$ 410,883

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (102,554)	(17,552)	3,298	\$ (116,808)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	2,581	0	0	2,581
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	(9,605)	0	0	(9,605)
Accounts Receivable	0	25,360	0	25,360
Inventory	19,082	0	0	19,082
Net Increases (Decreases) in Liabilities:				
Accounts Payable	3,691	0	0	3,691
Intergovernmental Payable	(7,155)	0	0	(7,155)
Due to Other Funds	97	0	0	97
Claims Payable	0	3,486	0	3,486
Accrued Wages and Benefits	(7,077)	0	0	(7,077)
Compensated Absences	1,225	0	0	1,225
Total Adjustments	2,839	28,846	0	31,685
Net Cash Used in Operating Activities	(99,715)	11,294	3,298	(85,123)
Cash Flows from Noncapital Activities:				
Grants from State Sources	3,589	0	0	3,589
Grants from Federal Sources	77,748	0	0	77,748
Other Sources	325	0	0	325
Transfers In	10,500	54,000	0	64,500
Net Cash Provided by Noncapital Financing Sources	92,162	54,000	0	146,162
Net Increase (Decrease) in Cash & Cash Equivalents	(7,553)	65,294	3,298	61,039
Cash and Cash Equivalents at Beginning of Year	46,192	154,977	216,657	417,826
Cash and Cash Equivalents at End of Year	<u>\$ 38,639</u>	<u>220,271</u>	<u>219,955</u>	<u>\$ 478,865</u>

See Accompanying Notes to the General Purpose Financial Statements

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local 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.

Average daily membership (ADM) as of October 1, 2000, was 1,263. The District employed 84 certified employees and 53 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types:

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

Enterprise Funds - These funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Funds - These funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Funds - These funds account for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Account Groups:

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Account Groups: (Continued)

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under the basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period. Grants and entitlements must also meet timing, eligibility, and contingency requirements.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.
 - b) Property taxes measurable as of June 30, 2001 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2002 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts three month temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, Superintendent, and the Board of Education. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

The major differences between the budgetary basis of accounting and GAAP basis are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis); and
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet. During fiscal year 2001, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and certificates of deposit.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest income earned in fiscal year 2001 totaled \$156,287.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

F. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost (first-in, first-out) or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Supplies inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

H. Fixed Assets--Governmental Funds

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and capitalized at cost (or estimated historical cost for assets for which cost is not available) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the date received. General fixed assets are not depreciated. The District maintains a capitalization threshold of five hundred dollars for general fixed assets. The District does not possess any infrastructure.

I. Fixed Assets--Proprietary Funds

Fixed assets used by proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Depreciation is provided using the straight-line method over estimated useful lives ranging from 25 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 3 to 10 years for equipment.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Grants and entitlements must also meet timing, eligibility, and contingency requirements.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

School Net Plus Funds

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants:

Special Revenue Funds

- Career Education
- Title I
- Title VI
- Title VI-B
- Drug Free Schools
- Eisenhower Math/Science
- PACT Grants
- School Net Funds
- Professional Development Block Grant
- Textbook/Instructional Materials Subsidy
- School Building Incentive
- Education Excellence & Competency
- Ohio Reads
- Safe School Helpline
- Conflict Management
- Title VI-R

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 49% of the District's operating revenue during the 2001 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2001, the District had no Interfund Receivables/Payables and \$4,465 in Due to/from Other Funds.

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2001 the District had no long-term interfund loans.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All classified employees with fifteen or more years of service, and all certified and administrative employees were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; and 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these 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 remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

N. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

O. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for contributions, supplies inventory, encumbrances, budget stabilization and future appropriation. The reserve for contributions represents the principal for the Non-Expendable Trust Funds; these funds are held for investment. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Q. Restricted Assets

Restricted assets in the General Fund represent cash set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

R. Estimates

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

S. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. CASH 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 the Board of Education has identified as not required for use within the current 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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 accounts, including passbook accounts.

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 money deposited with the institution.

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. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 be made only through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

2. CASH AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*.

Deposits: At year end, the carrying amount of the District's deposits was \$(54,825) and the bank balance was \$30,000. All of the bank balance was covered by Federal Depository Insurance Corporation (FDIC).

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	0	56,329	56,329	\$ 56,329
STAR Ohio		N/A		2,356,701	2,356,701
Total Investments				<u>\$ 2,413,030</u>	<u>\$ 2,413,030</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 2,358,305	\$ 0
Investments:		
Repurchase Agreement	(56,329)	56,329
STAR Ohio	(2,356,701)	2,356,701
Change Cash	(100)	
GASB Statement No. 3	<u>\$ (54,825)</u>	<u>\$ 2,413,030</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

3. PROPERTY TAX

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Madison County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 1997, with an update done in 1999. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31, (although the Madison County Auditor usually files for an extension in sending out tax bills so payment is then due by February 14th). If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value.

Amounts paid by multi-county taxpayers may be paid annually or semi-annually; the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Madison County Treasurer collects property tax on behalf of the District. The Madison County Auditor remits the collected taxes to the District. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year.

The full tax rate at the fiscal year ended June 30, 2001 for operations was \$29.40 per \$1,000 of assessed valuation and \$3.00 per \$1,000 of assessed valuation for permanent improvements.

The assessed values of real and tangible personal property on which the fiscal year 2001 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 20,272,620
Real Property-Residential/Agricultural	80,409,300
Personal Property-General	<u>23,672,370</u>
Total Assessed Value	<u>\$ 124,354,290</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

4. INCOME TAX

The District levies a voted tax of ½ percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1999. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

5. RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

6. HEALTH SELF-INSURANCE

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established February, 1988 for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$44,232 at June 30, 2001. A summary of changes in self-insurance claims for the year ended June 30, 2001 follows:

	FY2001	FY2000
Claim Liabilities at June 30	\$ 40,746	\$ 46,652
Incurred Claims	356,658	363,561
Claims Paid	<u>(353,172)</u>	<u>(369,467)</u>
Claim Liabilities at June 30	<u>\$ 44,232</u>	<u>\$ 40,746</u>

Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the Self-Insurance Fund and as an expenditure in the disbursing fund.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$167,784, \$148,740 and \$140,574 respectively; 46 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$95,797 representing the unpaid contribution for fiscal year 2001, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$523,584, \$464,520 and \$473,016, respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$87,267 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

8. POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$168,295 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$129,354.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

9. COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time.

Classified employees earn ten to thirty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
2-5	10
6-10	12
11-15	18
16-20	20
21	21
22	22
23	23
24	24
25	25
26	26
27	27
28	28
29	29
30-Beyond	30

Each employee earns sick leave at the rate of one and one-half days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 225 days and for certified employees, 265 days.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to sixty days.

For certified employees, retirement severance is also paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on the following; an employee who has zero years through nine years of service will receive twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement; employees who have ten through nineteen years of service shall qualify for thirty percent of their accumulated current sick leave upon retirement.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

9. COMPENSATED ABSENCES (Continued)

Employees with twenty or more years of service will receive thirty-five percent of earned sick leave upon retirement from the District. All percentages will be calculated on a maximum of 265 days.

10. INTERFUND TRANSACTIONS

At June 30, 2001, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ 4,130	\$ 0
Special Revenue Fund	119	0
Enterprise Fund	216	0
Agency Fund	0	4,465
	\$ 4,465	\$ 4,465

The worker's compensation rate for the District is applied to the accrued salary amounts (listed under the liability section of the "Combined Balance Sheet") as of June 30, 2001. The resulting dollar amount, \$4,465, which is due to the Bureau of Worker's Compensation, is also recognized as a liability on the "Combined Balance Sheet," as "Due To" the District's Worker's Compensation Agency Fund. This fund serves as a "holding" account until the total premium amount due is remitted to the Bureau of Worker's Compensation each year during the month of May. At June 30, 2001, there was a cash balance of \$12,605 in the Worker's Compensation Agency Fund.

11. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2001.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

12. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Intergovernmental Payable	\$ 64,164	59,775	64,164	\$ 59,775
General Obligations Payable	48,109	0	19,169	28,940
Capital Leases Payable	0	19,983	0	19,983
Compensated Absences Payable	709,414	1,001,247	709,414	1,001,247
	<u>\$ 821,687</u>	<u>1,081,005</u>	<u>792,747</u>	<u>\$ 1,109,945</u>

General Obligations: The District is making installment payments for the Assistance Agreement with the United States Environmental Protection Agency. Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a grant of \$74,605 and a loan of \$148,827 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$4,134 every six months, with the first payment made in June 1987 and the final amount due December 2004.

On December 18, 1995, the Board of Education authorized the District's involvement in the Columbus Southern Power Company SMART Financing Program. This is an energy saving lighting retrofit program which allowed the District to obtain an interest-free loan from the Huntington National Bank. The loan, in the amount of \$65,404, was obtained in May, 1996. The loan was paid in monthly installments of \$1,090 for 60 months, with a maturity date of May 5, 2001.

Payment for the installment purchase obligations as of June 30, 2001, and related interest:

	Payment
FY 2002	\$ 8,268
FY 2003	8,268
FY 2004	8,268
FY 2005	4,136
	<u>\$ 28,940</u>

Capital Leases: In January, 2001, the District entered into a capital lease agreement for a copier, in the amount of \$21,494 for 60 months at a rate of 7.21 percent. A summary of the payment schedule for the remainder of the agreement, including related interest, follows:

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

12. NOTES AND LONG-TERM DEBT (Continued)

	Principal	Interest	Payment
FY 2002	\$ 3,817	1,316	\$ 5,133
FY 2003	4,101	1,032	5,133
FY 2004	4,407	726	5,133
FY 2005	4,735	398	5,133
FY 2006	2,923	71	2,994
Total	<u>\$ 19,983</u>	<u>3,543</u>	<u>\$ 23,526</u>

13. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council - 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 it's own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

14. BUDGETARY BASIS OF ACCOUNTING

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Governmental Fund Types				Fiduciary Fund Type Expendable Trust
	General Fund	Special Revenue	Debt Service	Capital Project	
GAAP Basis	\$ 640,702	(71,385)	2,180	20,648	\$ 7,901
Increase (Decrease):					
Due to Revenue Accruals					
Net Adjustments to Revenues	42,591	(93)	0	(3,416)	0
Due to Expenditure Accruals and Encumbrances					
Net Adjustments to Expenditures	(234,412)	(7,863)	0	(27,300)	(200)
Due to Other Sources/Uses	100,000	0	0	(100,000)	0
Budget Basis	<u>\$ 548,881</u>	<u>(79,341)</u>	<u>2,180</u>	<u>(110,068)</u>	<u>\$ 7,701</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

15. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets June 30, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land and Improvements	\$ 609,301	7,704	0	\$ 617,005
Buildings	3,518,050	1,988	0	3,520,038
Furniture and Equipment	2,784,550	226,987	94,972	2,916,565
Vehicles	608,926	0	0	608,926
Total General Fixed Assets	<u>\$ 7,520,827</u>	<u>236,679</u>	<u>94,972</u>	<u>\$ 7,662,534</u>

The District had no significant construction in progress at June 30, 2001.

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2001:

Furniture and Equipment	\$ 111,881
Vehicles	21,169
Less Accumulated Depreciation	<u>(77,192)</u>
Net Fixed Assets	<u>\$ 55,858</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

16. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Latchkey Fund	Total
Operating Revenues	\$ 261,112	40,936	56,287	\$ 358,335
Operating Expenses:				
Depreciation	(2,581)	0	0	(2,581)
Other Expenses	(346,346)	(41,919)	(70,043)	(458,308)
Total Operating Expenses	<u>(348,927)</u>	<u>(41,919)</u>	<u>(70,043)</u>	<u>(460,889)</u>
Operating Loss	(87,815)	(983)	(13,756)	(102,554)
Non Operating Revenues/ Expenses:				
Operating Grants	88,333	0	12,450	100,783
Miscellaneous	325	0	0	325
Loss on Disposal of Assets	(7,906)	0	0	(7,906)
Transfers In/Out	10,500	0	0	10,500
Net Income (Loss)	<u>\$ 3,437</u>	<u>(983)</u>	<u>(1,306)</u>	<u>\$ 1,148</u>
Net Working Capital	<u>\$ (1,785)</u>	<u>3,728</u>	<u>8,638</u>	<u>\$ 10,581</u>
Total Assets	<u>\$ 94,378</u>	<u>3,814</u>	<u>12,291</u>	<u>\$ 110,483</u>
Contributed Capital	<u>\$ 31,304</u>	<u>0</u>	<u>0</u>	<u>\$ 31,304</u>
Total Retained Earnings	<u>\$ 2,523</u>	<u>3,728</u>	<u>8,638</u>	<u>\$ 14,889</u>

17. RISK MANAGEMENT

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$17,871,840 Other property insurance includes musical instrument, related equipment and accessories, camera, film and related equipment and accessories, and data processing equipment and related media.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

17. RISK MANAGEMENT (Continued)

A. General Risk (Continued)

There has been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage in any of the past three years.

B. Workers' Compensation

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

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

18. SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

18. SCHOOL FUNDING DECISION (Continued)

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

19. FUND DEFICITS

Fund balances at June 30, 2001, included the following individual fund deficits:

School Aged Child Care Grant	\$ (19)
Title I	\$ (8,148)
Title VI	\$ (117)
Title VI-R	\$ (989)

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The general fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

20. STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2000	\$ 0	\$ 0	\$ 168,225	\$ 168,225
Current Year Set-Aside Requirement	173,575	173,575	0	347,150
Non-BWC Amount	0	0	(93,225)	(93,225)
Qualifying Disbursements	(173,575)	(173,575)	0	(347,150)
Total	<u>0</u>	<u>0</u>	<u>75,000</u>	<u>75,000</u>
Cash Balance Carried Forward to FY2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	
Amount Restricted for Budget Stabilization				\$ 75,000
Total Restricted Assets				<u>\$ 75,000</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(Continued)**

20. STATUTORY RESERVES (Continued)

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero. Although the School District may have had additional offsets and qualifying disbursements during the year, the School District has chosen not to use this amount to reduce the set-aside requirements of future years, and are therefore not presented.

21. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2000 there was no effect on fund balances as a result of implementing GASB 33.

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**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor; PASS-THROUGH GRANTOR; Program Title	Pass-Through Grantor Number	Federal CFDA #	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Dept. of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	048256	10.550	\$0	\$19,329	\$0	\$19,446
School Breakfast Program	048256 05-PU 2000/2001	10.553	444	-	444	-
National School Lunch	048256 LL-P1 048256 LL-P4 2000/2001	10.555	55,576	-	55,576	-
Total U.S. Dept. of Agriculture - Child Nutrition Cluster			56,020	19,329	56,020	19,446
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Dept. of Education</i>						
Special Education Grants to States	048256 6B-SF 2001	84.027	103,974	-	103,974	-
Title I Grants to Local Educational Agencies	048256 C1-S1 2001	84.010	57,740	-	68,170	-
Safe and Drug Free Schools - and Communities	048256 DR-S1 2001	84.186	4,970	-	4,311	-

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

Federal Grantor; PASS-THROUGH GRANTOR; Program Title	Pass-Through Grantor Number	Federal CFDA #	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Eisenhower Professional Development Grant	048256 MS-S1 2001	84.281	4,078	-	1,517	-
Innovative Education Program Strategies	048256 C2-S1 2000/2001	84.298	11,065	-	11,747	-
Title VI-R Class-Size Reduction	048256 CR-S1 2000/2001	84.340	24,704	-	25,717	-
Total Dept. of Education			206,531	-	215,436	-
<u>U.S. Department of Health and Human Services</u>						
<i>Passed Through Ohio Dept. of Job and Family Services</i>						
Social Services Block Grant		93.667	11,574	-	11,574	
Total Federal Assistance			\$274,125	\$19,329	\$283,030	\$19,446

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the general purpose financial statements of Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 15, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 15, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10649-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 15, 2002.

This report is intended for the information and use of management, the Board of Education, 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.

JIM PETRO
Auditor of State

January 15, 2002



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

We have audited the compliance of Jefferson Local School District, Madison County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

Compliance

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Education, 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.

JIM PETRO
Auditor of State

January 15, 2002

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Un(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Grants to States - CFDA #84.027 Title I Grants to Local Educational Agencies- CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000 Type B - all other programs
(d)(1)(ix)	Low Risk Auditee?	No

JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001
(Continued)

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

2001-10649-001	
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**Latchkey Receipts
Reportable Condition**

The District did not maintain complete and accurate records to ensure completeness of the latchkey program tuition receipts. Enrollment records were disposed of and could not be recovered. The attendance records provided did not document the number of days students were attending the program or distinguish which students were part time or full time. Without such documentation, the District is unable to determine the number of students participating in the program to ensure completeness of the tuition revenue. Furthermore, the Latchkey Coordinator charged some students amounts less than those included on the fee schedule approved by the Board of Education. Without procedures in place to ensure the completeness of tuition revenue, possible errors or irregularities may occur and go undetected by management.

We recommend the District establish appropriate internal control procedures to ensure the completeness of tuition revenue. Enrollment forms should be maintained for all students participating in the program. Attendance records should also be maintained to document which children were present each day. Furthermore, the District should ensure the rates being charged correspond to the fees established by the Board of Education.

3. FINDINGS FOR FEDERAL AWARDS

None



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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
FEBRUARY 5, 2002**