



**Auditor of State
Betty Montgomery**

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2003, 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, 2003, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2003, 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.

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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, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003

**Jefferson Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	Special	Debt	Capital	Enterprise	Internal	Fund Types	General	General	2003	
	General	Revenue	Service		Projects	Service	Trust and Agency	Fixed Assets	Long Term Debt	(Memorandum) (Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$2,790,617	75,262	0	404,383	18,265	166,810	386,537	0	0	\$3,841,874
Restricted Assets	155,369	0	0	0	0	0	0	0	0	155,369
Taxes Receivables	3,954,366	0	0	288,806	0	0	0	0	0	4,243,172
Interfund Receivables	348,345	0	0	0	0	0	0	0	0	348,345
Due from Other Funds	0	0	0	0	0	0	2,615	0	0	2,615
Intergovernmental Receivable	0	46,244	0	0	14,035	0	0	0	0	60,279
Accounts Receivable	36,549	87	0	0	41	0	190	0	0	36,867
Supplies Inventory	6,705	0	0	0	544	0	0	0	0	7,249
Inventory for Resale	0	0	0	0	4,925	0	0	0	0	4,925
Property, Plant & Equipment	0	0	0	0	133,050	0	0	8,143,473	0	8,276,523
Accumulated Depreciation, where applicable	0	0	0	0	(82,341)	0	0	0	0	(82,341)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	991,772	991,772
Total Assets and Other Debits	\$7,291,951	121,593	0	693,189	88,519	166,810	389,342	8,143,473	991,772	\$17,886,649

(Continued)

Jefferson Local School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2003

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals
	Special	Debt	Capital	Enterprise	Internal	Fund Types	General	General	2003
	General	Revenue	Service		Projects	Service	Trust and Agency	Fixed Assets	Long Term Debt
Liabilities:									
Interfund Payables	\$0	0	0	348,345	0	0	0	0	\$348,345
Due to Other Funds	2,509	24	0	0	82	0	0	0	2,615
Intergovernmental Payables	112,909	2,522	0	0	10,946	0	46,242	69,230	241,849
Accounts Payable	133,309	6,109	0	98,833	1,996	0	2,803	0	243,050
Accrued Salaries and Benefits	644,337	6,101	0	0	22,331	0	0	0	672,769
Deferred Revenue	2,665,693	0	0	200,807	0	0	0	0	2,866,500
Claims Payable	0	0	0	0	0	58,645	0	0	58,645
Due to Others	0	0	0	0	0	0	40,766	0	40,766
General Obligations Notes Payable	0	0	0	0	0	0	0	12,404	12,404
Capital Leases Payable	0	0	0	0	0	0	0	12,065	12,065
Compensated Absences Payable	21,012	0	0	0	26,063	0	0	898,073	945,148
Total Liabilities	3,579,769	14,756	0	647,985	61,418	58,645	89,811	0	5,444,156
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	0	8,143,473	8,143,473
Contributed Capital	0	0	0	0	31,304	0	0	0	31,304
Reserved for Contribution	0	0	0	0	0	0	187,208	0	187,208
Retained Earnings/Accumulated Deficit	0	0	0	0	(4,203)	108,165	0	0	103,962
Fund Balances:									
Reserved for Inventories	6,705	0	0	0	0	0	0	0	6,705
Reserved for Budget Stabilization/ Textbooks	155,369	0	0	0	0	0	0	0	155,369
Reserved for Encumbrances	100,651	24,369	0	128,853	0	0	100	0	253,973
Reserved for Future Appropriation	1,047,000	0	0	88,000	0	0	0	0	1,135,000
Unreserved Fund Balance	2,402,457	82,468	0	(171,649)	0	0	112,223	0	2,425,499
Total Fund Equity	3,712,182	106,837	0	45,204	0	0	112,323	0	3,976,546
Total Fund Balances/Retained Earnings and Other Credits	3,712,182	106,837	0	45,204	27,101	108,165	299,531	8,143,473	12,422,493
Total Liabilities, Fund Equity, and Other Credits	\$7,291,951	121,593	0	693,189	88,519	166,810	389,342	8,143,473	\$17,886,649

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, 2003

	General	Governmental Fund Types Special Revenue	Debt Service	Capital Projects	Fiduciary Fund Types Expendable Trust	Totals (Memorandum) (Only)
REVENUES:						
Revenue from Local Sources						
Taxes	\$3,788,091	0	0	276,886	0	\$4,064,977
Tuition	227,052	0	0	0	0	227,052
Earnings on Investments	89,710	0	0	0	1,060	90,770
Extracurricular Activities	0	160,251	0	0	0	160,251
Miscellaneous	20,494	15,300	0	0	9,320	45,114
Local Restricted Grants-in- Aid	0	8,500	0	0	0	8,500
State Unrestricted Grants-in-Aid	3,977,248	0	0	32,004	0	4,009,252
State Restricted Grants-in-Aid	175,460	62,511	0	0	0	237,971
Federal Restricted Grants-in-Aid	0	352,437	0	0	0	352,437
Total Revenue	8,278,055	598,999	0	308,890	10,380	9,196,324
EXPENDITURES:						
Instruction						
Regular	3,544,229	132,074	0	179,640	5,410	3,861,353
Special	779,818	241,014	0	424	0	1,021,256
Vocational	63,963	0	0	0	0	63,963
Other	1,650	0	0	0	0	1,650
Supporting Services						
Pupils	253,954	45,170	0	37,558	0	336,682
Instructional Staff	354,006	50,532	0	0	0	404,538
Board of Education	27,775	0	0	0	0	27,775
Administration	813,189	414	0	7,143	0	820,746
Fiscal Services	301,171	0	0	0	0	301,171
Business	19,729	0	0	0	0	19,729
Operation & Maintenance-Plant	754,742	0	0	8,138	0	762,880
Pupil Transportation	282,490	0	0	0	0	282,490
Central	240,192	27,694	0	0	0	267,886
Operation of Non-Instructional Services						
Food Service Operations	0	23	0	8,289	0	8,312
Extracurricular Activities						
Academic & Subject Oriented	67,864	2,978	0	0	0	70,842
Sports Oriented	130,364	97,751	0	0	0	228,115
Co-Curricular Activities	0	3,790	0	0	0	3,790
Capital Outlay						
Site Acquisition	0	0	0	43,704	0	43,704
Site Improvement	0	0	0	175	0	175
Architecture & Engineering	8,600	0	0	0	0	8,600
Building Improvement	0	0	0	288,380	0	288,380
Other Facilities Acquisition & Construction	0	0	0	41,115	0	41,115
Debt Service						
Repayment of Debt	0	0	8,268	0	0	8,268
Total Expenditures	7,643,736	601,440	8,268	614,566	5,410	8,873,420
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	634,319	(2,441)	(8,268)	(305,676)	4,970	322,904
Other Financing Sources and (Uses):						
Sale & Loss of Assets	421	0	0	0	0	421
Proceeds From Sale of Notes	0	0	0	0	0	0
Transfers-In	0	3,537	8,268	0	0	11,805
Refund of Prior Years Expenditures	0	328	0	0	0	328
Transfers-Out	(116,024)	0	0	0	0	(116,024)
Refund of Prior Years Receipts	0	(269)	0	0	0	(269)
Net Other Financing Sources and (Uses)	(115,603)	3,596	8,268	0	0	(103,739)
Excess (Deficiency) of Revenues and Other Sources Over Expenditure						
Disbursement and Other Uses	518,716	1,155	0	(305,676)	4,970	219,165
Increase (Decrease) in Inventory	(9,395)	0	0	0	0	(9,395)
Beginning Fund Balance	3,202,861	105,682	0	350,880	75,080	3,734,503
Ending Fund Balance	\$3,712,182	106,837	0	45,204	80,050	\$3,944,273

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, 2003

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$4,110,855	4,084,647	(26,208)	0	0	\$0
Tuition	175,000	227,052	52,052	0	0	0
Earnings on Investment	150,250	62,405	(87,845)	0	0	0
Extracurricular Activities	0	0	0	174,380	160,322	(14,058)
Miscellaneous	1,750	20,885	19,135	8,700	15,300	6,600
Local Restricted Grants-in-Aid	0	0	0	9,000	8,500	(500)
State Unrestricted Grants-in-Aid	4,200,647	3,977,248	(223,399)	0	0	0
State Restricted Grants-in-Aid	160,500	175,460	14,960	68,177	62,511	(5,666)
Federal Restricted Grants-in-Aid	0	0	0	386,639	313,097	(73,542)
Total Revenue	8,799,002	8,547,697	(251,305)	646,896	559,730	(87,166)
Expenditures:						
Regular Instruction	3,612,854	3,561,058	51,796	155,597	137,237	18,360
Special Instruction	816,760	799,877	16,883	307,942	291,318	16,624
Vocational Instruction	63,741	63,141	600	0	0	0
Other Instruction	1,651	1,650	1	0	0	0
Support Services-Pupils	298,630	283,193	15,437	50,859	47,336	3,523
Support Services-Instructional Staff	370,844	344,529	26,315	74,776	55,024	19,752
Support Services-Board of Education	40,542	32,031	8,511	0	0	0
Support Services-Administration	830,707	812,470	18,237	414	414	0
Support Services-Fiscal	304,409	302,680	1,729	0	0	0
Support Services-Business	21,646	20,183	1,463	0	0	0
Operation & Maintenance-Plant	838,864	780,662	58,202	0	0	0
Support Services-Transportation	300,223	287,262	12,961	0	0	0
Support Services-Central	254,158	245,179	8,979	29,600	27,694	1,906
Food Service Operations	0	0	0	83	23	60
Academic & Subject Oriented	84,591	80,752	3,839	5,982	5,663	319
Sports Oriented	136,151	134,254	1,897	110,438	100,379	10,059
Co-Curricular Activities	0	0	0	7,787	6,970	817
Site Acquisition	0	0	0	0	0	0
Site Improvement & Architecture	0	0	0	0	0	0
Architecture & Engineering	23,680	23,600	80	0	0	0
Building Improvement	0	0	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	7,999,451	7,772,521	226,930	743,478	672,058	71,420
Excess of Revenue Over (Under) Expenditures	799,551	775,176	(24,375)	(96,582)	(112,328)	(15,746)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	421	421	0	0	0
Proceeds from Sale of Notes	0	336	336	0	0	0
Transfers-In	0	0	0	0	4,793	4,793
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	(328)	(328)
Transfers-Out	(116,910)	(116,024)	886	(1,257)	(1,257)	0
Advances-Out	(348,345)	(348,345)	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(360)	(360)	0
Total Other Sources (Uses)	(465,255)	(463,612)	1,643	(1,617)	2,848	4,465
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	334,296	311,564	(22,732)	(98,199)	(109,480)	(11,281)
Beginning Fund Balance	2,332,613	2,332,613	0	117,242	117,242	0
Prior Year Carry Over Encumbrances	120,743	120,743	0	37,373	37,373	0
Ending Fund Balance	\$2,787,652	2,764,920	(22,732)	56,416	45,135	\$(11,281)

(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, 2003

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	0	0	306,700	304,353	\$(2,347)
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	31,500	32,004	504
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	338,200	336,357	(1,843)
Expenditures:						
Regular Instruction	0	0	0	202,589	190,169	12,420
Special Instruction	0	0	0	5,500	422	5,078
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	37,558	37,558	0
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	7,143	7,143	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	11,540	11,065	475
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services Operations	0	0	0	8,935	8,489	446
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 Acquisition	0	0	0	43,811	43,704	107
Site Improvement & Architecture	0	0	0	18,030	1,355	16,675
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	0	0	0	348,345	348,345	0
Other Facilities Acq. & Construction	0	0	0	64,872	63,664	1,208
Repayment of Debt	8,268	8,268	0	42,000	41,994	6
Total Expenditures	8,268	8,268	0	790,323	753,908	(36,415)
Excess of Revenue Over (Under) Expenditures	(8,268)	(8,268)	0	(452,123)	(417,551)	(34,572)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	8,516	8,268	(248)	0	0	0
Advances-In	0	0	0	348,345	348,345	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	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	8,516	8,268	(248)	348,345	348,345	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	248	0	(248)	(103,778)	(69,206)	34,572
Beginning Fund Balance	0	0	0	102,230	102,230	0
Prior Year Carry Over Encumbrances	0	0	0	143,479	143,479	0
Ending Fund Balance	\$248	0	(248)	141,931	176,503	\$34,572

(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, 2003

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$0	0	0	4,417,555	4,389,000	\$(28,555)
Tuition	0	0	0	175,000	227,052	52,052
Earnings on Investment	2,250	1,060	(1,190)	152,500	63,465	(89,035)
Extracurricular Activities	0	0	0	174,380	160,322	(14,058)
Miscellaneous	10,000	9,320	(680)	20,450	45,505	25,055
Local Restricted Grants-in-Aid	0	0	0	9,000	8,500	(500)
State Unrestricted Grants-in-Aid	0	0	0	4,232,147	4,009,252	(222,895)
State Restricted Grants-in-Aid	0	0	0	228,677	237,971	9,294
Federal Unrestricted Grants-in-Aid	0	0	0	386,639	313,097	(73,542)
Total Revenue	12,250	10,380	(1,870)	9,796,348	9,454,164	(342,184)
Expenditures:						
Regular Instruction	9,050	5,810	3,240	3,980,090	3,894,274	85,816
Special Instruction	0	0	0	1,130,202	1,091,617	38,585
Vocational Instruction	0	0	0	63,741	63,141	600
Other Instruction	0	0	0	1,651	1,650	1
Support Services-Pupils	0	0	0	387,047	368,087	18,960
Support Services-Instructional Staff	0	0	0	445,620	399,553	46,067
Support Services-Board of Education	0	0	0	40,542	32,031	8,511
Support Services-Administration	0	0	0	838,264	820,027	18,237
Support Services-Fiscal	0	0	0	304,409	302,680	1,729
Support Services-Business	0	0	0	21,646	20,183	1,463
Operation & Maintenance-Plant	0	0	0	850,404	791,727	58,677
Support Services-Transportation	0	0	0	300,223	287,262	12,961
Support Services-Central	0	0	0	283,758	272,873	10,885
Food Services Operations	0	0	0	9,018	8,512	506
Academic & Subject Oriented	0	0	0	90,573	86,415	4,158
Sports Oriented	0	0	0	246,589	234,633	11,956
Co-Curricular Activities	0	0	0	7,787	6,970	817
Site Aquisition	0	0	0	43,811	43,704	107
Site Improvement & Architecture	0	0	0	18,030	1,355	16,675
Architecture & Engineering	0	0	0	23,680	23,600	80
Building Improvement	0	0	0	348,345	348,345	0
Other Facilities Acq & Construction	0	0	0	64,872	63,664	1,208
Repayment of Debt	0	0	0	50,268	50,262	6
Total Expenditures	9,050	5,810	3,240	9,550,570	9,212,565	338,005
Excess of Revenue Over (Under) Expenditures	3,200	4,570	1,370	245,778	241,599	(4,179)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	421	421
Proceeds from Sale of Notes	0	0	0	0	336	336
Transfers-In	0	0	0	8,516	13,061	4,545
Advances-In	0	0	0	348,345	348,345	0
Refund of Prior Year Expenditures	0	0	0	0	(328)	(328)
Transfers-Out	0	0	0	(118,167)	(117,281)	886
Advances-Out	0	0	0	(348,345)	(348,345)	0
Refund of Prior Year Receipts	0	0	0	(360)	(360)	0
Total Other Sources (Uses)	0	0	0	(110,011)	(104,151)	5,860
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	3,200	4,570	1,370	135,767	137,448	1,681
Beginning Fund Balance	75,380	75,380	0	2,627,465	2,627,465	0
Prior Year Carry Over Encumbrances	0	0	0	301,595	301,595	0
Ending Fund Balance	\$78,580	79,950	1,370	3,064,827	3,066,508	\$1,681

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$265,202	0	0	\$265,202
Classroom Materials & Fees	44,458	0	0	44,458
Miscellaneous	0	418,064	3,713	421,777
Total Operating Revenue	<u>309,660</u>	<u>418,064</u>	<u>3,713</u>	<u>731,437</u>
Operating Expenses:				
Personal Services – Salary	147,257	0	0	147,257
Employee Benefits	37,511	0	0	37,511
Purchased Services	5,612	126,050	0	131,662
Supplies and Materials	247,538	0	0	247,538
Other Objects	0	426,162	8,710	434,872
Depreciation	2,574	0	0	2,574
Total Operating Expenses	<u>440,492</u>	<u>552,212</u>	<u>8,710</u>	<u>1,001,414</u>
Operating Loss	(130,832)	(134,148)	(4,997)	(269,977)
Non-Operating Revenues:				
Earnings On Investment	294	0	0	294
Miscellaneous	50	0	4,000	4,050
State Restricted Grants-In-Aid	3,604	0	0	3,604
Federal Unrestricted Grants-In-Aid	91,879	0	0	91,879
Federal Restricted Grants-In-Aid	24,339	0	0	24,339
Total Non-Operating Revenues	<u>120,166</u>	<u>0</u>	<u>4,000</u>	<u>124,166</u>
Net Income (Loss) before Transfers	(10,666)	(134,148)	(997)	(145,811)
Transfers In:				
Transfers	4,219	100,000	0	104,219
Net Income (Loss)	(6,447)	(34,148)	(997)	(41,592)
Beginning Retained Earnings/Fund Balance	<u>2,244</u>	<u>142,313</u>	<u>220,478</u>	<u>365,035</u>
Retained Earnings/Accumulated Deficit/Fund Balance at End of Year	<u>\$(4,203)</u>	<u>108,165</u>	<u>219,481</u>	<u>\$323,443</u>
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, 2003

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Loss	\$(130,832)	(134,148)	(4,997)	\$(269,977)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Federal Commodities (Non-Cash Transaction)	24,339	0	0	24,339
Depreciation	2,574	0	0	2,574
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	(3,384)	0	0	(3,384)
Accounts Receivable	(41)	0	0	(41)
Inventory	(77)	0	0	(77)
Inventory for Resale	(3,561)	0	0	(3,561)
Net Increases (Decreases) in Liabilities:				
Accounts Payable	(230)	0	0	(230)
Intergovernmental Payable	9	0	0	9
Due to Other Funds	(25)	0	0	(25)
Claims Payable	0	13,437	0	13,437
Accrued Wages and Benefits	3,925	0	0	3,925
Compensated Absences	(8,190)	0	0	(8,190)
Total Adjustments	15,339	13,437	0	28,776
Net Cash Used in Operating Activities	(115,493)	(120,711)	(4,997)	(241,201)
Cash Flows from Noncapital Activities:				
Earnings on Investments	294	0	0	294
Grants from State Sources	3,604	0	0	3,604
Grants from Federal Sources	91,879	0	0	91,879
Miscellaneous	0	0	4,000	4,000
Other Sources	50	0	0	50
Transfers In	4,219	100,000	0	104,219
Net Cash Provided by Noncapital Financing Sources	100,046	100,000	4,000	204,046
Net Increase (Decrease) in Cash & Cash Equivalents	(15,447)	(20,711)	(997)	(37,155)
Cash and Cash Equivalents at Beginning of Year	33,712	187,521	220,478	441,711
Cash and Cash Equivalents at End of Year	\$18,265	166,810	219,481	\$404,556
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, 2003**

Note 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, 2002, was 1,272. The District employed 82 certified employees and 51 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.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

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.

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 accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets. The District has elected under GASB No. 20, to apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental Fund Types, Expendable Trust, and Agency Funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used of the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements in which the resources are provided to the District on reimbursement basis.

On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus/Basis of Accounting (Continued)

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The proprietary fund type and nonexpendable trust funds utilize the accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

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);

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting (Continued)

- b) Expenditures are recorded when paid in cash (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).

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 investments" on the combined balance sheet. During fiscal year 2003, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and federal agency securities. The District did not have any investments in STAR Ohio at June 30, 2003.

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

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, 2003.

For the District, all investment earnings accrue to the General Fund, Enterprise Funds and the Scholarship Funds as authorized by board resolution. Interest income earned in fiscal year 2003 totaled \$94,777.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2003. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2003 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

G. 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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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.

I. 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.

J. 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.

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, 2003, the District had \$348,345 in Interfund Receivables/Payables and \$2,615 in Due to/from Other Funds.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

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, 2003 the District had no long-term interfund loans.

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 employees with fifteen or more years of service 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, 2003
(Continued)**

Note 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, textbook and future appropriation. The reserve for contributions represents the principal for the Non-Expendable Trust Funds. 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 and textbook 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.

Note 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.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 2. Cash and Investments (Continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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*.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 2. Cash and Investments (Continued)

Deposits: At year end, the carrying amount of the District's deposits was \$1,164,861 and the bank balance was \$1,235,654. Of the bank balance \$100,000 was covered by Federal Depository Insurance Corporation (FDIC), and the remaining \$1,135,654 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements would potentially subject the District to a successful claim by the 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.

		<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>
Repurchase Agreement	\$	0	0	228,429	\$228,429
Federal Agency Securities		0	2,603,953	0	2,603,953
Total Investments	\$	0	2,603,953	228,429	\$2,832,382

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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$3,997,243	\$0
Investments:		
Federal Agency Securities	(2,603,953)	2,603,953
Repurchase Agreement	<u>(228,429)</u>	<u>228,429</u>
GASB Statement No. 3	<u>\$1,164,861</u>	<u>\$2,832,382</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 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 2003, with an update scheduled for 2006. 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, 2003 for operations was \$31.60 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 2003 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$21,017,140
Real Property-Residential/Agricultural	88,993,020
Personal Property-General	<u>24,922,440</u>
Total Assessed Value	<u><u>\$134,932,600</u></u>

Note 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 5. Receivables

Receivables at June 30, 2003 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds. A summary of Intergovernmental Receivables at June 30, 2003 is as follows:

Special Revenue Funds:

Collartive Grant	\$25,000
Title I Grant	3,844
Title V Grant	6,135
Title IV Grant	2,739
Title II-A Grant	8,526
Total Special Revenue Funds	46,244

Proprietary Funds:

Lunchroom Federal Reimbursements	14,035
Total Proprietary Funds	<u>\$14,035</u>
Total Intergovernmental Receivables	<u><u>\$60,279</u></u>

Note 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 6. Health Self-Insurance (Continued)

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 \$58,645 at June 30, 2003. A summary of changes in self-insurance claims for the year ended June 30, 2003 follows:

	FY2003	FY2002	FY2001
Claim Liabilities at June 30	\$45,208	\$44,232	\$40,746
Incurred Claims	552,212	615,738	299,141
Claims Paid	(538,775)	(614,762)	(295,655)
Claim Liabilities at June 30	\$58,645	\$45,208	\$44,232

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.

Note 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

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 rate for fiscal year 2003 is 14 percent of annual covered payroll; 8.17 percent was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, 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, 2003, 2002, and 2001 were \$178,872, \$184,224 and \$167,784, respectively; 46 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$106,198 representing the unpaid contribution for fiscal year 2003, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 7. Defined Benefit Pension Plans (Continued)

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.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members are required to contribute 9.3 percent of their annual covered salary and the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$502,896, \$500,256 and \$523,584, respectively; 83.33 percent has been contributed for fiscal year 2003, and 100 percent for fiscal years 2002 and 2001. \$83,816 representing the unpaid contribution for fiscal year 2003, 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, 2003
(Continued)**

Note 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount was \$35,921.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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.

For the fiscal year ended June 30, 2003 (the latest information available), employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. 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 2003, the minimum pay has been established at \$14,500. For the District, the amount to fund health care benefits, including surcharge, during the 2003 fiscal year equaled \$125,873.

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, 2002, (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 9. Compensated Absences (Continued)

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.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 10. Interfund Transactions

At June 30, 2003, 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:

	Receivables	Payables
General Fund	\$348,345	\$0
Capital Projects Fund	0	348,345
	\$348,345	\$348,345

	Due To Other Funds	Due From Other Funds
General Fund	\$0	\$2,509
Special Revenue Fund	0	24
Enterprise Fund	0	82
Agency Fund	2,615	0
	\$2,615	\$2,615

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, 2003. The resulting dollar amount, \$2,615, 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, 2003, there was a cash balance of \$43,627 in the Worker's Compensation Agency Fund.

Note 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, 2003.

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, 2003.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 12. Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2003, are as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Intergovernmental Payable	\$65,205	69,230	65,205	\$69,230
General Obligations Payable	20,672	0	8,268	12,404
Capital Leases Payable	16,166	0	4,101	12,065
Compensated Absences Payable	1,025,937	898,073	1,025,937	898,073
	<u>\$1,127,980</u>	<u>967,303</u>	<u>1,103,511</u>	<u>\$991,772</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.

Payment for the installment purchase obligations (Asbestos loan and SMART project loan) as of June 30, 2003:

	Payment
FY 2004	\$8,268
FY 2005	4,136
	<u>\$12,404</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:

	Principal	Interest	Payment
FY 2004	\$4,407	726	\$5,133
FY 2005	4,735	398	5,133
FY 2006	2,923	71	2,994
Total	<u>\$12,065</u>	<u>1,195</u>	<u>\$13,260</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 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 its 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.

Note 14. Budgetary Basis of Accounting

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Fund Type					
	Governmental Fund Types				Fiduciary Fund Type
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$518,716	1,155	0	(305,676)	\$4,970
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	269,978	(39,269)	0	27,467	0
Due to Expenditures:					
Net Adjustments to Expenditures	(121,147)	(71,275)	0	(139,342)	(400)
Due to Other Sources/Uses	(355,983)	(91)	0	348,345	0
Budget Basis	\$311,564	109,480)	0	(69,206)	\$4,570

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 15. Fixed Assets

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2003:

	General Fixed Assets June 30, 2002	Additions	Deletions	General Fixed Assets June 30, 2003
Land and Improvements	\$618,046	45,000	0	\$663,046
Buildings	3,523,038	13,785	0	3,536,823
Furniture and Equipment	3,110,665	163,147	37,931	3,235,881
Vehicles	680,926	26,797	0	707,723
Total General Fixed Assets	<u>\$7,932,675</u>	<u>248,729</u>	<u>37,931</u>	<u>\$8,143,473</u>

The District had no significant construction in progress at June 30, 2003.

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2003:

Furniture and Equipment	\$111,881
Vehicles	21,169
Less Accumulated Depreciation	<u>(82,341)</u>
Net Fixed Assets	<u>\$50,709</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 16. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2003, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Latchkey Fund	Total
Operating Revenues	\$265,202	44,458	0	\$309,660
Operating Expenses:				
Depreciation	2,574	0	0	2,574
Other Expenses	389,834	48,084	0	437,918
Total Operating Expenses	<u>392,408</u>	<u>48,084</u>	<u>0</u>	<u>440,492</u>
Operating Loss	(127,206)	(3,626)	0	(130,832)
Non Operating Revenues and Expenses:				
Operating Grants	119,822	0	0	119,822
Miscellaneous	0	50	0	50
Earnings on Investments	294	0	0	294
Transfers In/Out	0	4,219	0	4,219
Net Income (Loss)	<u>\$(7,090)</u>	<u>643</u>	<u>0</u>	<u>\$(6,447)</u>
Total Assets	<u>\$83,266</u>	<u>5,155</u>	<u>98</u>	<u>\$88,519</u>
Contributed Capital	<u>\$31,304</u>	<u>0</u>	<u>0</u>	<u>\$31,304</u>
Total Retained Earnings	<u>\$(8,653)</u>	<u>4,352</u>	<u>98</u>	<u>\$(4,203)</u>

Note 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 17. Risk Management (Continued)

A. General Risk (Continued)

The District maintains replacement cost insurance on buildings and contents in the amount of \$21,534,100. Other property insurance includes musical instrument, related equipment and accessories, camera, film and related equipment and accessories, and data processing equipment and related media.

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.

Note 18. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State Funding and on its financial operations.

Note 19. Fund Deficits

Fund balances at June 30, 2003, included the following individual fund deficit:

Title II-A	\$ (72)
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This deficit resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficit and will take the necessary steps to alleviate it. The general fund is liable for any deficits and provides operating transfers when cash is required, not when accruals occur.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003
(Continued)**

Note 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, 2003, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2002	\$55,473	\$0	\$75,000	\$130,473
Current Year Set-Aside Requirement	162,174	162,174	0	324,348
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(137,278)	(438,376)	0	(575,654)
Total	\$80,369	(276,202)	75,000	(120,833)
Cash Balance Carried Forward to FY2004	<u>\$80,369</u>	<u>\$(276,202)</u>	<u>\$75,000</u>	
Amount Restricted for Budget Stabilization and Textbook Acquisition				\$155,369
Total Restricted Assets				<u><u>\$155,369</u></u>

Note 21. Subsequent Events

On November 4, 2003, the District passed a bond issue in the amount of \$16.9 million. This bond issue will fund a renovation/expansion project. Both Norwood Elementary and the High School will be renovated and expanded. The Frey/Memorial Middle School site will be abandoned.

On November 17, 2003, the Board of Education resolved to issue an amount not to exceed \$16,900,000 in School Facilities Construction and Improvement Bond Anticipation Notes.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
<i>Passed Through Ohio Department of Education:</i>							
Nutrition Cluster:							
Food Distribution Program		2003	10.550	\$0	\$24,339	\$0	\$25,328
National School Lunch Program	048264-LL-P4	2003	10.555	88,494	0	88,494	0
Total U.S. Department of Agriculture - Nutrition Cluster				88,494	24,339	88,494	25,328
<u>U.S. DEPARTMENT OF EDUCATION</u>							
<i>Passed Through Ohio Department of Education:</i>							
Special Education Grants to States (IDEA Part B)							
	048264-6B-SF	2002	84.027	1,440	0	39,063	0
		2003		157,818	0	156,399	0
Total IDEA Part B				159,258	0	195,462	0
Grants to Local Educational Agencies (ESEA Title I)							
	048264-C1-S1	2002	84.010	1,743	0	9,157	0
		2003		98,892	0	95,886	0
Total ESEA Title I				100,635	0	105,043	0
Drug-Free Schools Grant							
	048264-DR-S1	2002	84.186	0	0	954	0
		2003		3,070	0	3,732	0
Total Drug-Free Schools Grant				3,070	0	4,686	0
Title V - Innovative Program							
	048264-C2-S1	2002	84.298	0	0	1,280	0
		2003		1,347	0	11,057	0
Total Title V - Innovative Program				1,347	0	12,337	0
Title II D - Technology Fund							
	048264-TJ-S1	2003	84.318	2,813	0	2,813	0
School Renovation, Idea and Technology Grants							
	048264-TJ-S1	2003	84.352	1,409	0	1,409	0
Title II A - State Grants for Improving Teaching Quality							
	048264-TR-S1	2000	84.367	0	0	15	0
		2001		453	0	1,550	0
		2002		3,268	0	8,509	0
		2003		42,252	0	45,788	0
Total Title II A				45,973	0	55,862	0
Total U.S. Department of Education				314,505	0	377,612	0
Total				\$402,999	\$24,339	\$466,106	\$25,328

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
FISCAL YEAR ENDED JUNE 30, 2003**

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 - CHILD NUTRITION CLUSTER

This nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. 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, 2003, the District had no significant food commodities in inventory.

NOTE C - REFUND OF PRIOR YEAR RECEIPTS TO THE OHIO DEPARTMENT OF EDUCATION

The Schedule includes negative receipt amounts for refund of prior year receipts to the Ohio Department of Education. These refunds are due to the expiration of period of availability and are as follows:

Grant	CFDA Number	Grant Year	Amount of Repayment
Special Education Grants to State (IDEA Part B)	84.027	2002	\$ 240
Innovative Educational Program Strategies	84.298	2002	3,876
School Renovation, Idea and Technology Grants	84.352	2002	103
Improving Teacher Quality State Grants	84.367	2002	476
Total			\$ 4,695

NOTE D - TRANSFER BETWEEN SPECIAL COST CENTER

The US Department of Education (USDOE) makes grant awards available to ODE, in general, for a period of 27 months. During that time, ODE is required to comply with program regulations and grant funds to local educational agencies for use in programs conducted in their local area. Using the same time frame as granted by the USDOE, ODE would award formula grants under the ESEA for a period of 27 months for all grants except Title I Basic Grants to States.

Each year beginning July 1, USDOE would provide another grant award to ODE for subgranting to local agencies. This created an overlap of grant awards to local agencies where up to 3 grant programs could be operating at the same time for exactly the same purpose. Under this scenario, each grant program was treated separately with separate reporting and management requirements.

Beginning July 2002, a revised process was instituted by ODE to fund grants on a yearly cycle. For effective management of the grant projects from the USDOE, ODE chose this method for several reasons. First, a July 1 to June 30 fiscal period for each project aligns the project periods for all Federal and state projects as well as puts the projects on the same timing as the school's fiscal year mandated by the Ohio Revised Code. Second, this system permits the local educational agency to manage only one project from ODE rather than 3 under the previous system.

**JEFFERSON LOCAL SCHOOL DISTRICT
FRANKLIN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

NOTE D - TRANSFER BETWEEN SPECIAL COST CENTER (Continued)

The transfers between cost centers are as follows:

Grant	CFDA Number	Transfer Out	Special Cost Center	Transfer In	Special Cost Center
Drug-Free Schools	84.186	\$240	584-0102	\$240	584-0203

NOTE E - TRANSFERS DUE TO ELIMINATION OF CFDA's

Starting July 1, 2003, the Ohio Department of Education (ODE) combined the following CFDA numbers; 84.281 and 84.340, into CFDA 84.367. The ODE required that the funds carried over from grant year 2002 be transferred to the CFDA 84.367. The following table indicates the funds the District transferred between the aforementioned CFDA numbers for year end June 30, 2003:

Grant	CFDA Number	Transfer In/(Out)
Eisenhower Professional Development State Grants – Title II, Part B	84.281	\$ (1,027)
Title VI-R (Classroom Size Reduction)	84.340	\$ (2,694)
Title II A – State Grants for Improving Teaching Quality	84.367	\$ 3,721

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**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. 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 December 12, 2003.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain other matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 12, 2003.

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Jefferson Local School District
Madison County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 12, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

We have audited the compliance of the 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 its major federal programs for the year ended June 30, 2003. 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, 2003.

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.

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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.



Betty Montgomery
Auditor of State

December 12, 2003

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>Un(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (list):</i>	Special Education Grants to States (IDEA Part B) - CFDA #84.027; Improving Teacher Quality State Grants - CFDA #84.367
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A > \$300,000 Type B – all other programs
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
JANUARY 13, 2004**