



**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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, 2000, 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 generally accepted auditing standards 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 Jefferson Local School District, Madison County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000 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.

JIM PETRO
Auditor of State

November 22, 2000

**JEFFERSON LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	2000 (Memorandum) (Only)
Assets and Other Debits:									
Equity in Pooled Cash and Investments	\$ 453,497	161,880	355,630	46,192	154,977	356,919	0	0	\$ 1,529,095
Restricted Cash	168,225	0	0	0	0	0	0	0	168,225
Cash with Fiscal Agent	0	0	0	0	0	0	0	0	0
Taxes Receivable	3,216,690	0	291,474	0	0	0	0	0	3,508,164
Interfund Receivable	100,000	0	0	0	0	0	0	0	100,000
Due from Other Funds	0	0	0	0	0	3,000	0	0	3,000
Intergovernmental Receivable	107,727	0	0	50	0	0	0	0	107,777
Accounts Receivable	2,650	54	0	0	25,360	268	0	0	28,332
Supplies Inventory	7,155	0	0	580	0	0	0	0	7,735
Inventory for Resale	0	0	0	5,505	0	0	0	0	5,505
Property, Plant & Equipment	0	0	0	151,421	0	0	7,520,827	0	7,672,248
Accumulated Depreciation, where applicable	0	0	0	(85,076)	0	0	0	0	(85,076)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	979,197	979,197
Total Assets and Other Debits	\$ 4,055,944	161,934	647,104	118,672	180,337	360,187	7,520,827	979,197	\$ 14,024,202

(Continued)

**JEFFERSON LOCAL SCHOOL DISTRICT
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS, Continued
JUNE 30, 2000**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Enterprise	Internal Service	Fund Types	General Fixed Assets	General Long Term	2000 (Memorandum) (Only)
						Trust and Agency			
Liabilities:									
Interfund Payables	\$ 0	0	100,000	0	0	0	0	0	\$ 100,000
Due to Other Funds	2,805	76	0	119	0	0	0	0	3,000
Intergovernmental Payables	102,165	3,398	0	25,613	0	44,070	0	44,004	219,250
Accounts Payable	72,815	789	1,775	707	0	3,268	0	0	79,354
Accrued Salaries and Benefits	570,378	14,773	0	23,996	0	0	0	0	609,147
Deferred Revenue	1,786,683	0	174,083	4,171	0	0	0	0	1,964,937
Claims Payable	0	0	0	0	40,746	0	0	0	40,746
Due to Others	0	0	0	0	0	36,180	0	0	36,180
General Obligations Payable	0	0	0	0	0	0	0	48,108	48,108
Compensated Absences Payable	38,550	0	0	19,021	0	0	0	887,085	944,656
Total Liabilities	2,573,396	19,036	275,858	73,627	40,746	83,518	0	979,197	4,045,378
Fund Equity and Other Credits:									
Investment in General Fixed Assets	0	0	0	0	0	0	7,520,827	0	7,520,827
Contributed Capital	0	0	0	31,304	0	0	0	0	31,304
Retained Earnings	0	0	0	13,741	139,591	0	0	0	153,332
Fund Balances:									
Reserved for Contributions	0	0	0	0	0	187,207	0	0	187,207
Reserved for Supplies Inventory	7,155	0	0	0	0	0	0	0	7,155
Reserved for Encumbrances	93,464	48,634	135,369	0	0	0	0	0	277,467
Reserved for Budget Stabilization	168,225	0	0	0	0	0	0	0	168,225
Reserved for Future Appropriation	1,214,007	0	117,391	0	0	0	0	0	1,331,398
Unreserved Fund Balance	(303)	94,264	118,486	0	0	89,462	0	0	301,909
Total Fund Equity	1,482,548	142,898	371,246	0	0	276,669	0	0	2,086,154
Total Fund Balances/Retained Earnings and Other Credits	1,482,548	142,898	371,246	45,045	139,591	276,669	7,520,827	0	9,978,824
Total Liabilities, Fund Equity, and Other Credits	\$ 4,055,944	161,934	647,104	118,672	180,337	360,187	7,520,827	979,197	\$ 14,024,202

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, 2000

	Governmental Fund Types				Fiduciary	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Projects	Fund Types Expendable Trust	
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 3,563,554	0	0	274,485	0	\$ 3,838,039
Tuition	24,785	0	0	0	0	24,785
Earnings on Investments	78,695	0	0	0	3,147	81,842
Extracurricular Activities	0	187,464	0	0	0	187,464
Miscellaneous	13,147	6,315	0	27,015	4,428	50,905
Revenue from Intermediate Sources						
Restricted Grants-in- Aid	0	11,000	0	0	0	11,000
Revenue from State Sources						
Unrestricted Grants-in-Aid	3,894,207	25,000	0	24,734	0	3,943,941
Restricted Grants-in-Aid	103,269	137,641	0	114,642	0	355,552
Revenue from Federal Source						
Restricted Grants-in-Aid	0	85,414	0	0	0	85,414
Total Revenue	7,677,657	452,834	0	440,876	7,575	8,578,942
EXPENDITURES:						
Current:						
Instruction						
Regular	3,142,226	28,288	0	0	5,286	3,175,800
Special	118,764	67,583	0	0	0	186,347
Vocational/Other	100,209	4,275	0	0	0	104,484
Supporting Services						
Pupils	330,077	10,718	0	3,830	0	344,625
Instructional Staff	854,481	66,875	0	0	0	921,356
Board of Education	31,507	0	0	0	0	31,507
Administration	728,939	1,140	0	5,656	0	735,735
Fiscal Services	259,711	0	0	0	0	259,711
Business	16,254	377	0	0	0	16,631
Operation & Maintenance-Plant	748,451	0	0	0	0	748,451
Pupil Transportation	234,016	0	0	0	0	234,016
Central	30,443	28,472	0	0	0	58,915
Operation of Non-Instructional Services						
Food Service Operations	416	0	0	11,572	0	11,988
Extracurricular Activities						
Academic & Subject Oriented	65,846	0	0	0	0	65,846
Sports Oriented	98,987	84,308	0	9,467	0	192,762
Co-Curricular Activities	32	110,724	0	0	0	110,756
Capital Outlay						
Site Improvement & Architecture	54,193	0	0	335,219	0	389,412
Building Acquisition & Construction	20,300	0	0	10,694	0	30,994
Building Improvement	0	0	0	4,471	0	4,471
Debt Service						
Repayment of Debt	0	0	21,349	0	0	21,349
Total Expenditures	6,834,852	402,760	21,349	380,909	5,286	7,645,156
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	842,805	50,074	(21,349)	59,967	2,289	933,786
Other Financing Sources and Uses:						
Sale & Loss of Assets	4,868	0	0	0	0	4,868
Transfers-In	0	39	21,349	0	0	21,388
Refund of Prior Years Expenditures	48	0	0	0	0	48
Transfers-Out	(197,388)	0	0	0	0	(197,388)
Refund of Prior Years Receipts	0	(50)	0	0	0	(50)
Pass Through Payments	(44,764)	0	0	0	0	(44,764)
Net Other Financing Sources and Uses	(237,236)	(11)	21,349	0	0	(215,898)
Excess (Deficiency) of Revenues						
and Other Sources Over Expenditure						
Disbursement and Other Uses	605,569	50,063	0	59,967	2,289	717,888
Increase (Decrease) in Inventory	(4,432)	0	0	0	0	(4,432)
Beginning Fund Balance	881,411	92,835	0	311,279	57,723	1,343,248
Ending Fund Balance	\$ 1,482,548	142,898	0	371,246	60,012	\$ 2,056,704

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, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,288,102	3,307,907	19,805	0	0	\$ 0
Tuition	8,880	24,785	15,905	0	0	0
Earnings on Investment	71,000	79,152	8,152	0	0	0
Extracurricular Activities	0	0	0	195,709	188,104	(7,605)
Miscellaneous	12,000	12,585	585	5,715	6,315	600
Local Restricted Grants-in-Aid	0	0	0	11,000	11,000	0
State Unrestricted Grants-in-Aid	3,554,922	3,789,979	235,057	25,000	25,000	0
State Restricted Grants-in-Aid	88,275	103,269	14,994	148,640	137,641	(10,999)
Federal Restricted Grants-in-Aid	0	0	0	107,928	88,677	(19,251)
Total Revenue	7,023,179	7,317,677	294,498	493,992	456,737	(37,255)
Expenditures:						
Regular Instruction	3,167,930	3,142,199	25,731	123,422	60,638	62,784
Special Instruction	120,188	117,311	2,877	69,669	66,708	2,961
Vocational Instruction	101,090	99,474	1,616	0	0	0
Other Instruction	500	180	320	4,831	3,766	1,065
Support Services-Pupils	345,774	340,721	5,053	17,951	13,709	4,242
Support Services-Instructional Staff	883,474	876,927	6,547	72,447	72,397	50
Support Services-Board of Education	47,182	46,653	529	0	0	0
Support Services-Administration	745,548	735,062	10,486	2,126	1,140	986
Support Services-Fiscal	266,555	262,463	4,092	0	0	0
Support Services-Business	21,182	21,135	47	377	377	0
Operation & Maintenance-Plant	772,747	754,151	18,596	0	0	0
Support Services-Transportation	241,883	236,183	5,700	0	0	0
Support Services-Central	30,114	27,955	2,159	28,486	28,472	14
Food Service Operations	400	400	0	0	0	0
Academic & Subject Oriented	66,813	64,263	2,550	305	0	305
Sports Oriented	100,747	99,713	1,034	92,937	90,679	2,258
Co-Curricular Activities	0	0	0	115,516	112,892	2,624
Site Improvement & Architecture	28,019	27,079	940	0	0	0
Architecture & Engineering	81,638	81,638	0	0	0	0
Building Acquisition & Construction	237	200	37	0	0	0
Building Improvement	1,600	1,547	53	0	0	0
Other Facilities Acq. & Construction	20,300	20,300	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	7,043,921	6,955,554	88,367	528,067	450,778	77,289
Excess of Revenue Over (Under) Expenditures	(20,742)	362,123	382,865	(34,075)	5,959	40,034
Other Financing Sources (Uses):						
Sale & Loss of Assets	6,000	5,986	(14)	0	0	0
Transfers-In	309,736	309,736	0	0	39	39
Advances-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	500	463	(37)	0	0	0
Transfers-Out	(507,124)	(507,124)	0	0	0	0
Advances-Out	(100,000)	(100,000)	0	0	0	0
Refund of Prior Year Receipts	0	0	0	(50)	(50)	0
Total Other Sources (Uses)	(290,888)	(290,939)	(51)	(50)	(11)	39
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(311,630)	71,184	382,814	(34,125)	5,948	40,073
Beginning Fund Balance	304,581	304,581	0	98,834	98,834	0
Prior Year Carry Over Encumbrances	135,859	135,859	0	9,483	9,483	0
Ending Fund Balance	\$ 128,810	511,624	382,814	74,192	114,265	\$ 40,073

(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, 2000

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	316,000	208,673	\$ (107,327)
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	27,000	27,015	15
Local Restricted Grants-In-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	10,000	24,734	14,734
State Restricted Grants-in-Aid	0	0	0	114,640	114,642	2
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	467,640	375,064	(92,576)
Expenditures:						
Regular Instruction	0	0	0	42,375	25,998	16,377
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	65,993	65,993	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	5,656	5,656	0
Support Services-Fiscal	0	0	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services Operations	0	0	0	13,200	11,572	1,628
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	12,500	10,862	1,638
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement & Architecture	0	0	0	377,635	377,634	1
Architecture & Engineering	0	0	0	0	0	0
Building Acquisition & Construction	0	0	0	0	0	0
Building Improvement	0	0	0	5,000	4,471	529
Other Facilities Acq. & Construction	0	0	0	14,090	14,090	0
Repayment of Debt	21,349	21,349	0	0	0	0
Total Expenditures	21,349	21,349	0	536,449	516,276	20,173
Excess of Revenue Over (Under) Expenditures	(21,349)	(21,349)	0	(68,809)	(141,212)	(72,403)
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	21,349	21,349	0	535	535	0
Advances-In	0	0	0	0	100,000	100,000
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	(535)	(535)	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	21,349	21,349	0	0	100,000	100,000
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(68,809)	(41,212)	27,597
Beginning Fund Balance	0	0	0	14,134	14,134	0
Prior Year Carry Over Encumbrances	0	0	0	245,568	245,568	0
Ending Fund Balance	\$ 0	0	0	190,893	218,490	\$ 27,597

(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, 2000

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,604,102	3,516,580	\$ (87,522)
Tuition	0	0	0	8,880	24,785	15,905
Earnings on Investment	2,550	3,147	597	73,550	82,299	8,749
Extracurricular Activities	0	0	0	195,709	188,104	(7,605)
Miscellaneous	6,500	4,428	(2,072)	51,215	50,343	(872)
Local Restricted Grants-in-Aid	0	0	0	11,000	11,000	0
State Unrestricted Grants-in-Aid	0	0	0	3,589,922	3,839,713	249,791
State Restricted Grants-in-Aid	0	0	0	351,555	355,552	3,997
Federal Unrestricted Grants-in-Aid	0	0	0	107,928	88,677	(19,251)
Total Revenue	9,050	7,575	(1,475)	7,993,861	8,157,053	163,192
Expenditures:						
Regular Instruction	5,761	5,486	275	3,339,488	3,234,321	105,167
Special Instruction	0	0	0	189,857	184,019	5,838
Vocational Instruction	0	0	0	101,090	99,474	1,616
Other Instruction	0	0	0	5,331	3,946	1,385
Support Services-Pupils	0	0	0	429,718	420,423	9,295
Support Services-Instructional Staff	0	0	0	955,921	949,324	6,597
Support Services-Board of Education	0	0	0	47,182	46,653	529
Support Services-Administration	0	0	0	753,330	741,858	11,472
Support Services-Fiscal	0	0	0	266,555	262,463	4,092
Support Services-Business	0	0	0	21,559	21,512	47
Operation & Maintenance-Plant	0	0	0	772,747	754,151	18,596
Support Services-Transportation	0	0	0	241,883	236,183	5,700
Support Services-Central	0	0	0	58,600	56,427	2,173
Food Services Operations	0	0	0	13,600	11,972	1,628
Academic & Subject Oriented	0	0	0	67,118	64,263	2,855
Sports Oriented	0	0	0	206,184	201,254	4,930
Co-Curricular Activities	0	0	0	115,516	112,892	2,624
Site Improvement & Architecture	0	0	0	405,654	404,713	941
Architecture & Engineering	0	0	0	81,638	81,638	0
Building Acquisition & Construction	0	0	0	237	200	37
Building Improvement	0	0	0	6,600	6,018	582
Other Facilities Acq & Construction	0	0	0	34,390	34,390	0
Repayment of Debt	0	0	0	21,349	21,349	0
Total Expenditures	5,761	5,486	275	8,135,547	7,949,443	186,104
Excess of Revenue Over (Under) Expenditures	3,289	2,089	(1,200)	(141,686)	207,610	349,296
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	6,000	5,986	(14)
Transfers-In	0	0	0	331,620	331,659	39
Advances-In	0	0	0	0	100,000	100,000
Refund of Prior Year Expenditures	0	0	0	500	463	(37)
Transfers-Out	0	0	0	(507,659)	(507,659)	0
Advances-Out	0	0	0	(100,000)	(100,000)	0
Refund of Prior Year Receipts	0	0	0	(50)	(50)	0
Total Other Sources (Uses)	0	0	0	(269,589)	(169,601)	99,988
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,289	2,089	(1,200)	(411,275)	38,009	449,284
Beginning Fund Balance	57,308	57,308	0	474,857	474,857	0
Prior Year Carry Over Encumbrances	415	415	0	391,325	391,325	0
Ending Fund Balance	\$ 61,012	59,812	(1,200)	454,907	904,191	\$ 449,284

See Accompanying Notes to the General Purpose Financial Statements

**JEFFERSON LOCAL SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS/FUND EQUITY
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Charge for service	\$ 258,295	411,383	0	\$ 669,678
Tuition	47,142	0	0	47,142
Earnings on Investments	0	0	11,882	11,882
Classroom Materials & Fees	41,313	0	0	41,313
Miscellaneous	0	25,361	0	25,361
Total Operating Revenue	<u>346,750</u>	<u>436,744</u>	<u>11,882</u>	<u>795,376</u>
Operating Expenses:				
Personal Services - Salary	179,496	0	0	179,496
Employee Benefits	49,378	0	0	49,378
Purchased Services	3,431	75,496	0	78,927
Supplies and Materials	240,342	0	0	240,342
Insurance Expenses	0	421,200	9,955	431,155
Other Expenses	473	0	0	473
Depreciation	2,635	0	0	2,635
Total Operating Expenses	<u>475,755</u>	<u>496,696</u>	<u>9,955</u>	<u>982,406</u>
Operating Income (Loss)	(129,005)	(59,952)	1,927	(187,030)
Non-Operating Revenues:				
Miscellaneous	2,225	0	0	2,225
State Grants-In-Aid	3,045	0	0	3,045
Federal Grants-In-Aid	109,660	0	0	109,660
Total Non-Operating Revenues	<u>114,930</u>	<u>0</u>	<u>0</u>	<u>114,930</u>
Net Income (Loss) before Transfers	(14,075)	(59,952)	1,927	(72,100)
Transfers In:				
Transfers	45,000	131,000	0	176,000
Net Income (Loss)	30,925	71,048	1,927	103,900
Beginning Retained Earnings/Fund Equity	<u>(17,184)</u>	<u>68,543</u>	<u>214,730</u>	<u>266,089</u>
Retained Earnings/Fund Equity at End of Year	<u>\$ 13,741</u>	<u>139,591</u>	<u>216,657</u>	<u>\$ 369,989</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, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (129,005)	(59,952)	1,927	\$ (187,030)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	2,635	0	0	2,635
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	10,099	0	0	10,099
Accounts Receivable	2,865	(25,360)	0	(22,495)
Inventory	(296)	0	0	(296)
Net Increases (Decreases) in Liabilities:				
Accounts Payable	(2,875)	0	0	(2,875)
Intergovernmental Payable	5,962	0	0	5,962
Due to Other Funds	(34,708)	0	0	(34,708)
Deferred Revenue	605	0	0	605
Claims Payable	0	(5,906)	0	(5,906)
Accrued Wages and Benefits	3,557	0	0	3,557
Compensated Absences	5,865	0	0	5,865
Total Adjustments	<u>(6,291)</u>	<u>(31,266)</u>	<u>0</u>	<u>(37,557)</u>
Net Cash Used in Operating Activities	(135,296)	(91,218)	1,927	(224,587)
Cash Flows from Noncapital Activities:				
Grants from State Sources	3,045	0	0	3,045
Federal Commodities	25,878	0	0	25,878
Grants from Federal Sources	83,782	0	0	83,782
Other Sources	2,225			
Transfers In	45,000	131,000	0	176,000
Net Cash Provided by Noncapital Financing Sources	<u>159,930</u>	<u>131,000</u>	<u>0</u>	<u>290,930</u>
Net Increase (Decrease) in Cash & Cash Equivalents	24,634	39,782	1,927	66,343
Cash and Cash Equivalents at Beginning of Year	<u>21,558</u>	<u>115,195</u>	<u>214,730</u>	<u>351,483</u>
Cash and Cash Equivalents at End of Year	<u>\$ 46,192</u>	<u>154,977</u>	<u>216,657</u>	<u>\$ 417,826</u>
See Accompanying Notes to the General Purpose Financial Statements				

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

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, 1999, was 1,321. The District employed 85 certified employees and 42 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types:

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

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Governmental Fund Types: (Continued)

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.

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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Fiduciary Fund Types: (Continued)

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

- 1) Only current assets and current liabilities are generally included on their balance sheets.
- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest and tuition.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

- b) Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2001 operations, have been recorded as deferred revenues.

- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

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

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 20 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budget and Budgetary Accounting (Continued)

- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" in accordance with the budget basis of accounting.

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

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

Encumbrances

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2000, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and certificates of deposit.

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments (Continued)

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, 2000.

For the District, all investment earnings accrue to the General Fund and the Scholarship Funds as authorized by board resolution. Interest income earned in fiscal year 2000 totaled \$93,274 which included \$15,029 assigned from other funds..

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

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2000. 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, 2000 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, 2000, 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 one thousand dollars for general fixed assets. The District does not capitalize 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. Intergovernmental Revenues

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

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

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

School Net Plus Funds

Non-Reimbursable Grants:

Special Revenue Funds

Career Education
Title I
Title VI
Drug Free Schools
Eisenhower Math/Science
PACT Grants
School Net Funds
Professional Development Block Grant
Textbook/Instructional Materials Subsidy

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Intergovernmental Revenues (Continued)

Non-Reimbursable Grants: (Continued)

Special Revenue Funds (Continued)

- School Building Incentive
- Education Excellence & Competency
- Ohio Reads
- Safe School Helpline
- Conflict Management
- Title VI-R

Reimbursable Grants:

General Fund

- Driver Education Reimbursement
- Tutor Reimbursement

Proprietary Funds:

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 58% of the District's operating revenue during the 2000 fiscal year.

L. 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, 2000, the District had \$100,000 in Interfund Receivables/Payables and \$3,000 in Due to/from Other Funds.

M. 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, 2000 the District had no long-term interfund loans.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. 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.

O. 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.

P. 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
JUNE 30, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. 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, debt, encumbrances, budget stabilization and future appropriation. The reserve for contributions represents the principal for the Non-Expendable Trust Funds; these funds are held for investment. The reserve for future appropriation represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

R. Restricted Assets

Restricted assets in the General Fund represent cash set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

S. 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.

T. Memorandum Only - Total Columns

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

2. CASH AND INVESTMENTS

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

2. CASH AND INVESTMENTS (Continued)

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

Deposits: At year end, the carrying amount of the District's deposits was \$(12,598) and the bank balance was \$67,141. All of the bank balance was covered by Federal Depository Insurance Corporation (FDIC).

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

	Category			Carrying	Fair
	1	2	3	Amount	Value
Repurchase Agreement	\$ 0	0	627,729	627,729	\$ 627,729
STAR Ohio	0	0	0	1,082,089	1,082,089
Total Investments				<u>\$ 1,709,818</u>	<u>\$ 1,709,818</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,697,320	\$ 0
Investments:		
Repurchase Agreement	(627,729)	627,729
STAR Ohio	(1,082,089)	1,082,089
Change Cash	(100)	
GASB Statement No. 3	<u>\$ (12,598)</u>	<u>\$ 1,709,818</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

3. PROPERTY TAX

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

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

Amounts paid by multi-county taxpayers may pay 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, 2000 for operations was \$29.60 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 2000 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 19,534,300
Real Property-Residential/Agricultural	79,495,940
Personal Property-General	13,016,340
Personal Property-Public Utilities	<u>7,897,430</u>
Total Assessed Value	<u>\$ 119,944,010</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. INCOME TAX

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

5. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

6. HEALTH SELF-INSURANCE

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

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

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$40,746 at June 30, 2000. A summary of changes in self-insurance claims for the year ended June 30, 2000 follows:

	FY2000	FY1999
Claim Liabilities at June 30	\$ 46,652	\$ 94,285
Incurred Claims	363,561	357,004
Claims Paid	(369,467)	(404,637)
Claim Liabilities at June 30	\$ 40,746	\$ 46,652

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$148,740, \$140,574, and \$131,874, respectively; 46 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$88,952 representing the unpaid contribution for fiscal year 2000, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 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. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$464,520, \$473,016, and \$446,772, respectively; 83.3 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$77,420 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

8. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care 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 is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$265,440 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll. 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 2000, the minimum pay has been established at \$12,400. The surcharge rate 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. For the District, this amount equaled \$81,517 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999, (the latest information available) were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million. The number of participants currently receiving health care benefits is approximately 51,000.

9. COMPENSATED ABSENCES

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

9. COMPENSATED ABSENCES (Continued)

<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 fifty-six 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.

10. INTERFUND TRANSACTIONS

At June 30, 2000, 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:

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

10. INTERFUND TRANSACTIONS (Continued)

	Payables	Receivables
General Fund	\$ 0	\$ 100,000
Capital Projects Fund	100,000	0
	\$ 100,000	\$ 100,000

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, 2000. The resulting dollar amount, \$3,000, 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, 2000, there was a cash balance of \$44,069 in the Worker's Compensation Agency Fund.

11. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

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, 2000.

12. NOTES AND LONG-TERM DEBT

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Intergovernmental Payable	\$ 48,432	44,004	48,432	\$ 44,004
General Obligations Payable	69,457	0	21,349	48,108
Compensated Absences Payable	825,137	887,085	825,137	887,085
	\$ 943,026	931,089	894,918	\$ 979,197

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

12. NOTES AND LONG-TERM DEBT (Continued)

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

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

Payment for the installment purchase obligations (Asbestos loan and SMART project loan) as of June 30, 2000.

	Payment
2001	\$ 19,171
2002	8,268
2003	8,268
2004	8,268
2005	4,133
	<u>\$ 48,108</u>

13. JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Council - MEC is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is it's own fiscal agent. The District does not have an ongoing financial interest in or ongoing financial responsibility for MEC. MEC provides computer services to the District.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

14. BUDGETARY BASIS OF ACCOUNTING

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

	Governmental Fund Types			Fiduciary
	General	Special	Capital	Fund Type
	Fund	Revenue	Project	Expendable Trust
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Similar Fiduciary Fund Type				
GAAP Basis	\$ 605,569	50,063	59,967	\$ 2,289
Increase (Decrease):				
Due to Revenues:				
Net Adjustments to Revenue Accruals	851,158	3,903	54,122	0
Due to Expenditures:				
Net Adjustments to Expenditure Accruals	(120,702)	(48,018)	(135,367)	(200)
Due to Other Sources/Uses	(53,703)	0	100,000	0
Budget Basis	<u>\$ 1,282,322</u>	<u>5,948</u>	<u>78,722</u>	<u>\$ 2,089</u>

15. FIXED ASSETS

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2000:

	General Fixed Assets June 30, 1999	Additions	Deletions	General Fixed Assets June 30, 2000
Land and Improvements	\$ 211,030	398,271	0	\$ 609,301
Buildings	3,518,050	0	0	3,518,050
Furniture and Equipment	2,848,864	77,843	142,157	2,784,550
Vehicles	608,926	0	0	608,926
Total General Fixed Assets	<u>\$ 7,186,870</u>	<u>476,114</u>	<u>142,157</u>	<u>\$ 7,520,827</u>

The District had no significant construction in progress at June 30, 2000.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

15. FIXED ASSETS (Continued)

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2000:

Furniture and Equipment	\$ 130,252
Vehicles	21,169
Less Accumulated Depreciation	<u>(85,076)</u>
Net Fixed Assets	<u><u>\$ 66,345</u></u>

16. SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Latchkey Fund	Total
Operating Revenues	\$ 258,295	41,313	47,142	\$ 346,750
Operating Expenses:				
Depreciation	(2,635)	0	0	(2,635)
Other Expenses	(363,914)	(46,928)	(62,278)	(473,120)
Total Operating Expenses	<u>(366,549)</u>	<u>(46,928)</u>	<u>(62,278)</u>	<u>(475,755)</u>
Operating Loss	(108,254)	(5,615)	(15,136)	(129,005)
Non Operating Revenues and				
Operating Grants	102,442	0	10,263	112,705
Miscellaneous	0	0	2,225	2,225
Transfers In/Out	45,000	0	0	45,000
Net Income (Loss)	<u>\$ 39,188</u>	<u>(5,615)</u>	<u>(2,648)</u>	<u>\$ 30,925</u>
Net Working Capital	<u>\$ (14,448)</u>	<u>4,711</u>	<u>9,942</u>	<u>\$ 205</u>
Total Assets	<u>\$ 96,574</u>	<u>4,710</u>	<u>17,388</u>	<u>\$ 118,672</u>
Contributed Capital	<u>\$ 31,304</u>	<u>0</u>	<u>0</u>	<u>\$ 31,304</u>
Total Retained Earnings	<u>\$ 4,226</u>	<u>4,711</u>	<u>4,804</u>	<u>\$ 13,741</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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 \$3,000,000 for each occurrence and \$1,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$20,416,500 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.

18. SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional.

The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$3,484,262 of school foundation support for its general fund.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

18. SCHOOL FUNDING DECISION (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

19. 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, 2000, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$ 87,365	\$ 87,365
Current Year Set-Aside Requirement	160,821	160,821	80,860	402,502
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(160,821)	(160,821)	0	(321,642)
Total	<u>0</u>	<u>0</u>	<u>168,225</u>	<u>168,225</u>
Cash Balance Carried Forward to FY2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 168,225</u>	
Amount Restricted for Budget Stabilization				\$ 168,225
Total Restricted Assets				<u>\$ 168,225</u>

Amounts of qualifying expenditures presented in the table, related to the textbook set aside, were limited to those necessary to reduce the year end balance to zero. Although the School District may have had additional qualifying expenditures during the year, the School District has chosen to not use the amount to reduce the set aside requirement of future years and is therefore not presented.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 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 November 22, 2000.

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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 22, 2000.

This report is intended for the information and use of management and the Board of Education is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

November 22, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
DECEMBER 14, 2000**