



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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**STATE OF OHIO  
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Jefferson Area Local School District  
Ashtabula County  
45 East Satin Street  
Jefferson, Ohio 44047

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Jefferson Area Local School District, Ashtabula County (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 Area Local School District, Ashtabula County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable 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 January 19, 2001 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.

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

**Jim Petro**  
Auditor of State

January 19, 2001

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

	Governmental Fund Types				Proprietary Fund		Fiduciary Fund	Account Groups		Totals 2000
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	(Memorandum Only)
<b>ASSETS AND OTHER DEBITS:</b>										
Equity in Pooled Cash and Cash Equivalents	\$1,152,812	\$88,387	\$15,131	\$420,430	\$6,273	\$2,676	\$57,087			\$1,742,796
Restricted Assets	165,799									165,799
Taxes Receivable	3,757,477			548,339						4,305,816
Interfund Receivables	32,227									32,227
Intergovernmental Receivables	3,750	7,662								11,412
Accounts Receivable	122	2,790			148					3,060
Supplies Inventory	962				3,854					4,816
Inventory for Resale					20,298					20,298
Property, Plant & Equipment					162,176			\$11,768,185		11,930,361
Accumulated Depreciation, where applicable					(128,022)					(128,022)
Amount Available in Debt Service Fund									\$15,131	15,131
Amount to be Provided for Retirement of General Long Term Debt									2,396,889	2,396,889
<b>Total Assets and Other Debits</b>	<b>\$5,113,149</b>	<b>\$98,839</b>	<b>\$15,131</b>	<b>\$968,769</b>	<b>\$64,727</b>	<b>\$2,676</b>	<b>\$57,087</b>	<b>\$11,768,185</b>	<b>\$2,412,020</b>	<b>\$20,500,583</b>

(Continued)



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000  
(Continued)**

	Governmental Fund Types			Proprietary Fund		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	2000 (Memorandum Only)
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>										
<b>Liabilities:</b>										
Interfund Payable		\$4,278			\$27,949					\$32,227
Intergovernmental Payable	\$193,279	208			6,434	\$1,323		\$113,774		315,018
Accounts Payable	25,898	3,998		\$1,859	140	651				32,546
Accrued Salaries and Benefits	679,226	25,156			8,495					712,877
Deferred Revenue	2,428,335			320,426	10,055					2,758,816
Due to Others						44,633				44,633
General Obligation Notes Payable								619,576		619,576
Leases Payable								615,000		615,000
Compensated Absences Payable	25,105				15,148				1,063,670	1,103,923
<b>Total Liabilities</b>	<b>3,351,843</b>	<b>33,640</b>		<b>322,285</b>	<b>68,221</b>	<b>46,607</b>		<b>2,412,020</b>		<b>6,234,616</b>
<b>Equity and Other Credits:</b>										
Investment in General Fixed Assets								\$11,768,185		11,768,185
Contributed Capital					7,100					7,100
Retained Earnings					(10,594)	\$1,796	7,480			(1,318)
Retained Earnings-Reserved						880	3,000			3,880
<b>Fund Balances:</b>										
Reserved for Debt Service			\$15,131							15,131
Reserved for Budget Stabilization	161,319									161,319
Reserved for Textbooks	4,480									4,480
Reserved for Inventory	962									962
Reserved for Encumbrances	148,034	9,066		58,258						215,358
Reserved for Future Appropriation	1,329,142			227,913						1,557,055
Unreserved Fund Balance	117,369	56,133		360,313						533,815
<b>Total Equity and Other Credits</b>	<b>1,761,306</b>	<b>65,199</b>	<b>15,131</b>	<b>646,484</b>	<b>(3,494)</b>	<b>2,676</b>	<b>10,480</b>	<b>11,768,185</b>	<b>0</b>	<b>14,265,967</b>
<b>Total Liabilities, Equity, and Other Credits</b>	<b>\$5,113,149</b>	<b>\$98,839</b>	<b>\$15,131</b>	<b>\$968,769</b>	<b>\$64,727</b>	<b>\$2,676</b>	<b>\$57,087</b>	<b>\$11,768,185</b>	<b>\$2,412,020</b>	<b>\$20,500,583</b>

The notes to the general-purpose financial statements are an integral part of this statement.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum) (Only)
	General	Special Revenue	Debt Service	Capital Projects Expendable Trust	
<b>REVENUES:</b>					
Taxes	\$3,679,707			\$618,317	\$4,298,024
Tuition	41,734				41,734
Earnings on Investments	104,976				104,976
Extracurricular Activities		\$108,062			108,062
Miscellaneous	47,675			\$498	48,173
Revenue from Intermediate Sources					
Unrestricted Grants-in-Aid		4,582			4,582
Revenue from State Sources					
Unrestricted Grants-in-Aid	7,500,452	20,665		64,293	7,585,410
Restricted Grants-in-Aid	155,384	71,601		144,816	371,801
Revenue from Federal Sources					
Unrestricted Grants -in-Aid	10,251				10,251
Restricted Grants-in-Aid		267,963			267,963
Total Revenue	<u>11,540,179</u>	<u>472,873</u>	<u>0</u>	<u>827,426</u>	<u>12,840,976</u>
<b>EXPENDITURES:</b>					
Regular Instruction	5,567,625	51,557		248,159	5,867,341
Special Instruction	608,933	222,268		498	831,201
Vocational Instruction	211,081				211,081
Other Instruction	264,994				264,994
Support Services-Pupils	606,088	51,132			657,220
Support Services-Instructional Staff	85,622	8,415			94,037
Support Services-Board of Education	24,979				24,979
Support Services-Administration	1,084,764	4,709			1,089,473
Support Services-Fiscal Services	561,511	6,603		12,336	580,450
Support Services-Business	7,918				7,918
Support Services-Operation & Maint-	1,143,016			107,811	1,250,827
Support Services-Pupil Transportation	799,886				799,886
Food Service Operations	57,035				57,035
Community Services		40,659			40,659
Academic & Subject Oriented Activities	12,430	1,785			14,215
Sports Oriented Activities	252,051	51,534			303,585
Co-Curricular Activities		2,191			2,191
Building Improvement	14,370			349,370	363,740
Repayment of Debt			\$69,464		69,464
Total Expenditures	<u>11,302,303</u>	<u>440,853</u>	<u>69,464</u>	<u>717,676</u>	<u>12,530,794</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>237,876</u>	<u>32,020</u>	<u>(69,464)</u>	<u>109,750</u>	<u>310,182</u>
<b>Other Financing Sources and Uses:</b>					
Other Financing Sources					
Transfers-In			69,464		69,464
Transfers-Out	(69,464)				(69,464)
Total Other Financing Sources and Uses:	<u>(69,464)</u>	<u>0</u>	<u>69,464</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Sources over/ under Disbursement and Other Uses	168,412	32,020	0	109,750	310,182
Increase/Decrease in Inventory	(2,796)				(2,796)
Beginning Fund Balance	<u>1,595,690</u>	<u>33,179</u>	<u>15,131</u>	<u>536,734</u>	<u>2,180,734</u>
<b>Ending Fund Balance</b>	<u><b>\$1,761,306</b></u>	<u><b>\$65,199</b></u>	<u><b>\$15,131</b></u>	<u><b>\$0</b></u>	<u><b>\$2,488,120</b></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$3,549,764	\$3,549,773	\$9			
Tuition	42,650	42,734	84			
Earnings on Investment	97,094	104,976	7,882			
Extracurricular Activities				\$105,603	\$105,603	\$0
Miscellaneous	10,000	10,109	109			
Local Unrestricted Grants-in-Aid				966	966	0
State Unrestricted Grants-in-Aid	7,447,489	7,496,702	49,213	20,585	20,665	80
State Restricted Grants-in-Aid	155,384	155,384	0	68,268	68,268	0
Federal Unrestricted Grants-in-Aid	12,000	11,867	(133)			
Federal Restricted Grants-in-Aid				274,087	268,216	(5,871)
Total Revenues	<u>11,314,381</u>	<u>11,371,545</u>	<u>57,164</u>	<u>469,509</u>	<u>463,718</u>	<u>(5,791)</u>
<b>Expenditures:</b>						
Regular Instruction	5,884,359	5,732,547	151,812	68,609	49,189	19,420
Special Instruction	673,802	628,889	44,913	252,482	234,495	17,987
Vocational Instruction	233,261	230,834	2,427			
Other Instruction	266,447	265,474	973			
Support Services-Pupils	650,356	637,058	13,298	51,150	51,132	18
Support Services-Instructional Staff	95,540	88,650	6,890	8,415	8,415	0
Support Services-Board of Education	33,966	27,466	6,500			
Support Services-Administration	1,134,370	1,090,807	43,563	7,573	4,709	2,864
Fiscal Services	610,154	580,145	30,009	6,676	6,045	631
Support Services-Business	8,800	8,218	582			
Operational & Maintenance-Plant	1,221,253	1,177,469	43,784			
Support Services-Transportation	953,287	910,385	42,902			
Food Service Operations	69,456	58,556	10,900			
Community Services				59,874	51,993	7,881
Academic & Subject Oriented	12,578	12,528	50	1,985	1,785	200
Sports Oriented	263,814	246,553	17,261	57,579	51,715	5,864
Co-Curricular activities				2,287	2,191	96
Building Improvement	14,430	14,370	60			
Repayment of Debt						
Total Expenditures	<u>12,125,873</u>	<u>11,709,949</u>	<u>415,924</u>	<u>516,630</u>	<u>461,669</u>	<u>54,961</u>
Excess of Revenue Over (Under) Expenditures	<u>(811,492)</u>	<u>(338,404)</u>	<u>473,088</u>	<u>(47,121)</u>	<u>2,049</u>	<u>49,170</u>
<b>Other Financing Sources (Uses)</b>						
Transfers-In						
Advances-In	29,800	29,800	0	12,579	4,279	(8,300)
Refund of Prior Year Expenditures	41,258	41,346	88			
Transfers-Out	(69,464)	(69,464)	0			
Advances-Out	<u>(30,000)</u>	<u>(32,228)</u>	<u>(2,228)</u>	<u>(9,267)</u>	<u>(9,267)</u>	<u>0</u>
Total Other Sources (Uses)	<u>(28,406)</u>	<u>(30,546)</u>	<u>(2,140)</u>	<u>3,312</u>	<u>(4,988)</u>	<u>(8,300)</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(839,898)</u>	<u>(368,950)</u>	<u>470,948</u>	<u>(43,809)</u>	<u>(2,939)</u>	<u>40,870</u>
Beginning Fund Balance	1,319,460	1,319,460	0	85,356	85,356	0
Prior Year Carry Over Encumbrances	201,663	201,663	0	6,818	6,818	0
<b>Ending Fund Balance</b>	<u><b>\$681,225</b></u>	<u><b>\$1,152,173</b></u>	<u><b>\$470,948</b></u>	<u><b>\$48,365</b></u>	<u><b>\$89,235</b></u>	<u><b>\$40,870</b></u>

(Continued)

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

	Debt Service Funds			Capital Projects		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes				\$618,029	\$618,029	\$0
Tuition						
Earnings on Investment						
Extracurricular Activities						
Miscellaneous						
Local Unrestricted Grants-in-Aid						
State Unrestricted Grants-in-Aid				31,582	64,293	32,711
State Restricted Grants-in-Aid				144,816	144,816	0
Federal Unrestricted Grants-in-Aid						
Federal Restricted Grants-in-Aid						
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>794,427</u>	<u>827,138</u>	<u>32,711</u>
<b>Expenditures:</b>						
Regular Instruction				426,627	311,981	114,646
Special Instruction				10,715		10,715
Vocational Instruction						
Other Instruction						
Support Services-Pupils						
Support Services-Instructional Staff						
Support Services-Board of Education						
Support Services-Administration				5,000		5,000
Fiscal Services				14,930	12,336	2,594
Support Services-Business						
Operational & Maintenance-Plant				115,743	111,478	4,265
Support Services-Transportation				28,000	26,601	1,399
Community Services						
Academic & Subject Oriented						
Sports Oriented						
Co-Curricular activities						
Building Improvement				350,376	349,370	1,006
Repayment of Debt	\$69,464	\$69,464	\$0			
Total Expenditures	<u>69,464</u>	<u>69,464</u>	<u>0</u>	<u>951,391</u>	<u>811,766</u>	<u>139,625</u>
Excess of Revenue Over (Under) Expenditures	<u>(69,464)</u>	<u>(69,464)</u>	<u>0</u>	<u>(156,964)</u>	<u>15,372</u>	<u>172,336</u>
<b>Other Financing Sources (Uses)</b>						
Transfers-In	69,464	69,464	0			
Advances-In						
Refund of Prior Year Expenditures						
Transfers-Out						
Advances-Out						
Total Other Sources (Uses)	<u>69,464</u>	<u>69,464</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>(156,964)</u>	<u>15,372</u>	<u>172,336</u>
Beginning Fund Balance	15,131	15,131	0	290,862	290,862	0
Prior Year Carry Over Encumbrances				43,056	43,056	0
<b>Ending Fund Balance</b>	<u><b>\$15,131</b></u>	<u><b>\$15,131</b></u>	<u><b>\$0</b></u>	<u><b>\$176,954</b></u>	<u><b>\$349,290</b></u>	<u><b>\$172,336</b></u>

(Continued)

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000  
(Continued)**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes				\$4,167,793	\$4,167,802	\$9
Tuition				42,650	42,734	84
Earnings on Investment				97,094	104,976	7,882
Extracurricular Activities				105,603	105,603	0
Miscellaneous	\$498	\$498	\$0	10,498	10,607	109
Local Unrestricted Grants-in-Aid				966	966	0
State Unrestricted Grants-in-Aid				7,499,656	7,581,660	82,004
State Restricted Grants-in-Aid				368,468	368,468	0
Federal Unrestricted Grants-in-Aid				12,000	11,867	(133)
Federal Restricted Grants-in-Aid				274,087	268,216	(5,871)
<b>Total Revenue</b>	<b>498</b>	<b>498</b>	<b>0</b>	<b>12,578,815</b>	<b>12,662,899</b>	<b>84,084</b>
<b>Expenditures:</b>						
Regular Instruction	498	498	0	6,380,093	6,094,215	285,878
Special Instruction				936,999	863,384	73,615
Vocational Instruction				233,261	230,834	2,427
Other Instruction				266,447	265,474	973
Support Services-Pupils				701,506	688,190	13,316
Support Services-Instructional Staff				103,955	97,065	6,890
Support Services-Board of Education				33,966	27,466	6,500
Support Services-Administration				1,146,943	1,095,516	51,427
Fiscal Services				631,760	598,526	33,234
Support Services-Business				8,800	8,218	582
Operational & Maintenance-Plant				1,336,996	1,288,947	48,049
Support Services-Transportation				981,287	936,986	44,301
Food Service Operations				69,456	58,556	10,900
Community Services				59,874	51,993	7,881
Academic & Subject Oriented				14,563	14,313	250
Sports Oriented				321,393	298,268	23,125
Co-Curricular activities				2,287	2,191	96
Building Improvement				364,806	363,740	1,066
Repayment of Debt				69,464	69,464	0
<b>Total Expenditures</b>	<b>498</b>	<b>498</b>	<b>0</b>	<b>13,663,856</b>	<b>13,053,346</b>	<b>610,510</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(1,085,041)	(390,447)	694,594
<b>Other Financing Sources (Uses):</b>						
Transfers-In				69,464	69,464	0
Advances-In				42,379	34,079	(8,300)
Refund of Prior Year Expenditures				41,258	41,346	88
Transfers-Out				(69,464)	(69,464)	0
Advances-Out				(39,267)	(41,495)	(2,228)
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,370</b>	<b>33,930</b>	<b>(10,440)</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0	(1,040,671)	(356,517)	684,154
Beginning Fund Balance				1,710,809	1,710,809	0
Prior Year Carry Over Encumbrances				251,537	251,537	0
<b>Ending Fund Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$921,675</b>	<b>\$1,605,829</b>	<b>\$684,154</b>

The notes to the general-purpose financial statements are an integral part of this statement.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
<b>Operating Revenues:</b>				
Food Service	\$361,266			\$361,266
Classroom Materials & Fees	27,743			27,743
Miscellaneous		\$4,878		4,878
Total Operating Revenues	389,009	4,878	0	393,887
<b>Operating Expenses:</b>				
Personal Services - Salary	238,129			238,129
Employee Benefits	107,623			107,623
Purchased Services	16,753			16,753
Supplies and Materials	255,879	2,875		258,754
Depreciation	4,437			4,437
Total Operating Expenses	622,821	2,875	0	625,696
Operating Income (Loss)	(233,812)	2,003	0	(231,809)
<b>Non-Operating Revenues:</b>				
Earnings On Investments			379	379
Miscellaneous			4,950	4,950
State Unrestricted Grants-In-Aid	10,413			10,413
Federal Unrestricted Grants-in-Aid	171,062			171,062
Federal Restricted Grants-In-Aid	17,642			17,642
Total Non-Operating Revenues	199,117	0	5,329	204,446
Net Income	(34,695)	2,003	5,329	(27,363)
Beginning Retained Earnings/ Fund Balance	24,101	673	5,151	29,925
<b>Ending Retained Earnings/Fund</b>	<b>(\$10,594)</b>	<b>\$2,676</b>	<b>\$10,480</b>	<b>\$2,562</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2000**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund	
<b>Cash Flows from Operating Activities</b>				
Operating Gain (Loss)	(\$233,812)	\$2,003		(\$231,809)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	4,437			4,437
Federal Donated Commodities	27,698			27,698
Net (Increase) Decrease in Assets:				
Accounts Receivable	168	400		568
Inventory	(433)			(433)
Net Increases (Decreases) in Liabilities:				
Intergovernmental Payable	3,221			3,221
Accounts Payable	(2,344)	(2,649)		(4,993)
Accrued Wages and Benefits	(6,111)			(6,111)
Compensated Absences	3,902			3,902
Total Adjustments	30,538	(2,249)	0	28,289
Net Cash Used in Operating Activities	(203,274)	(246)	0	(203,520)
<b>Cash Flows from Noncapital Activities:</b>				
Earnings on Investments			379	379
Operating Grants from State Sources	12,546			12,546
Operating Grants from Federal Sources	182,470			182,470
Advances	7,416			7,416
Donations			4,950	4,950
Net Cash Provided by Noncapital Financing Sources	202,432	0	5,329	207,761
Net Increase in Cash & Cash Equivalents	(842)	(246)	5,329	4,241
Cash and Cash Equivalents at Beginning of Year	7,115	2,922	5,151	15,188
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$6,273</b>	<b>\$2,676</b>	<b>\$10,480</b>	<b>\$19,429</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**1. DESCRIPTION**

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 District as defined by Section 3311.0 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 2,199. The District employed 136 certified employees and 99 non-certificated employees. The District is supervised by the Ashtabula 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 acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general-purpose financial statements (GPFS) of the Jefferson Area 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 accompanying general-purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 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 school 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 of the District over which the District is financially accountable.

**B. Fund Accounting**

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

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

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

**Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Fund**

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Projects Funds**

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

**Proprietary Fund Types:**

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

**Enterprise Funds**

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

**Internal Service Funds**

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

**Fiduciary Fund Types:**

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

**Expendable Trust Funds**

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

**Nonexpendable Trust Funds**

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

**Agency Funds**

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 and 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.
  - 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 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. 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" (and also a separate "Combined Statement... for All Proprietary Fund Types") in accordance with the budgetary basis of accounting.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

- I. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- II. Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- III. 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
- IV. 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).

**E. 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.

**F. Cash and Cash Equivalents**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. 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." In accordance with GASB No. 3 and No. 9, the District had no investments at June 30, 2000.

Under existing Ohio statutes all interest earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, interest revenue is credited to the General Fund and Non-Expendable Trust Funds. Interest revenue credited to the General Fund during the fiscal year amounted to \$104,976; total interest income earned in fiscal year 2000 totaled \$105,355.

**G. 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Inventories**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. 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 general supplies, and are expended when used.

**I. 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.

**J. Fixed Assets**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets.

**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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Entitlements:**

**General Fund**

State Foundation Program  
School Bus Funding  
State Equity Funding

**Capital Projects Funds**

School Net Plus Funding  
Power UP  
Emergency Repair Program

**Special Revenue Funds**

Educational Management Information Systems

**Non-Reimbursable Grants:**

**Special Revenue Funds**

Title I  
Title VI  
Title VI-b  
Drug Free Grant  
Career Education Grant  
ADD 2000 Grant  
Continuous Improvement Grant

**Reimbursable Grants:**

**General Fund**

Driver Education Reimbursement

**Proprietary Funds**

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 65% of the District's operating revenue during the 2000 fiscal year.



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 no "Due to Other Funds" and \$32,227 in Interfund Receivables/Payables."

**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.

**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 ten 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. 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2000, the District had \$7,100 in contributed capital.

**P. 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.

**Q. 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.

**R. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**T. 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 supplies inventory, encumbrances, debt service, future appropriations, and budget stabilization. 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.

**U. Memorandum Only - Total Columns**

Total columns on the general purposes 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.

**3. 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 Type**

	<b>General Fund</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
GAAP Basis	\$168,412	\$32,020	\$109,750
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(168,634)	(9,155)	(288)
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(407,646)	(20,816)	(94,090)
Due to Other Sources/Uses	38,918	(4,988)	
Budget Basis	<b>(\$368,950)</b>	<b>(\$2,939)</b>	<b>\$15,372</b>

**4. ACCOUNTABILITY AND COMPLIANCE**

Pursuant to Section 117.11(A) of the Revised Code, the Auditor of State performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

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

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

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

Moneys held by the District which are not considered active are classified as interim. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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);

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**5. CASH AND INVESTMENTS (Continued)**

7. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase 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 only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$1,908,595 and the bank balance was \$2,223,592, of which \$205,545 was covered by federal depository insurance. \$2,018,047 was uninsured and uncollateralized. 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, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**6. PROPERTY TAXES**

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 Ashtabula 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 1996, an update was done in 1999. The next revaluation is scheduled for 2002. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**6. PROPERTY TAXES (Continued)**

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 Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. 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 \$43.97 per \$1,000 of assessed valuation. 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	\$19,166,770
Real Property-Residential/Agricultural	125,135,880
Real Property-Public Utilities	95,980
Personal Property-General	16,681,310
Personal Property-Public Utilities	12,002,060
Total Assessed Value	<b>\$173,082,000</b>

**7. 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.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$3,750
Special Revenue Funds:	
Title VI-B	7,662
Grand Total	<b>\$11,412</b>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**8. FIXED ASSETS**

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

Furniture and Equipment	\$162,176
Less Accumulated Depreciation	<u>(128,022)</u>
Net Fixed Assets	<u><u><b>\$34,154</b></u></u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

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

	<b>General Fixed Assets June 30, 1999</b>	<b>Additions</b>	<b>Deletions</b>	<b>General Fixed Assets June 30, 2000</b>
Land and Improvements	\$540,800			\$540,800
Buildings	4,866,300	\$1,681,922		6,548,222
Furniture and Equipment	3,126,024	149,422		3,275,446
Vehicles	1,252,786	150,931		1,403,717
Construction in Progress	1,631,867		\$1,631,867	0
<b>Total General Fixed Assets</b>	<b>\$11,417,777</b>	<b>\$1,982,275</b>	<b>\$1,631,867</b>	<b>\$11,768,185</b>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**9. DEFINED BENEFIT PENSION PLANS**

**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 an actuarially determined rate. The current District rate is 14 percent of covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2000, 5.5 percent of annual covered salary was the portion to fund pension obligations. For fiscal year 1999, 7.7 percent was used to fund pension obligations. 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 required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$252,696, \$243,552 and \$198,132; 44.8 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$155,891 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

**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; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were: \$786,504, \$811,704 and \$727,896, respectively; 83.3 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$131,084 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**9. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, no members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**10. 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 \$449,431 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, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.2 percent from fiscal year 1999. 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 \$182,965 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, 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**11. 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 (11 and 12 month) are eligible for vacation time. The Superintendent is granted 20 days vacation per year and the Treasurer is granted 15 days vacation per year.

Classified employees earn ten to twenty 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.

The Classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-3	10
4-7	15
8-beyond	20

Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is 310 days; classified employees, 265.

For all 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 77.5 days for certified and 65 days for classified.

**12. RISK MANAGEMENT**

**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 \$2,000,000 for each occurrence and \$5,000,000 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 \$26,918,400.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**12. RISK MANAGEMENT (Continued)**

**Worker's 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.

**Health Insurance**

In July, 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical claims. The consortium currently includes 7 member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District.

**13. INTERFUND TRANSACTIONS**

At June 30, 2000, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	<b>Receivables</b>	<b>Payables</b>
General Fund	\$32,227	
Special Revenue Fund		\$4,278
Enterprise Fund		27,949
	<b>\$32,227</b>	<b>\$32,227</b>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**14. NOTES AND LONG-TERM DEBT**

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

	<b>Balance July 1, 1999</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30,2000</b>
Intergovernmental Payable	\$110,726	\$3,048		\$113,774
Notes Payable	660,852		\$41,276	619,576
Leases Payable	895,000		280,000	615,000
Compensated Absences Payable	1,081,816		18,146	1,063,670
	<u><b>\$2,748,394</b></u>	<u><b>\$3,048</b></u>	<u><b>\$339,422</b></u>	<u><b>\$2,412,020</b></u>

Additions and deletions of intergovernmental payable and compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$173,082. The voted debt limit at June 30, 2000 is \$15,577,380.

**Asbestos Notes**

Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$202,876 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$5,638 every six months, with the first payment made in June 1991 and the final amount due December 2,002.

The annual maturities of the general obligation notes as of June 30, 2000 are as follows:

	<b>Principal</b>
FY2001	\$11,276
FY2002	11,276
FY2003	11,276
FY2004 & Thereafter	50,748
	<u><b>\$84,576</b></u>

**Energy Conservation Notes**

The District issued Energy Conservation Notes in the amount of \$600,000 on March 3, 1998. The notes mature in December 2012 and have an average interest rate of 5.125%. The annual maturities of the general obligation bonds as of June 30, 2000, and related interest payments are as follows:

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**14. NOTES AND LONG-TERM DEBT (Continued)**

	Principal	Interest	Payment
FY2001	\$30,000	\$26,650	\$56,650
FY2002	30,000	25,112	55,112
FY2003	35,000	23,446	58,446
FY2004 & Thereafter	440,000	121,715	561,715
	<u><b>\$535,000</b></u>	<u><b>\$196,923</b></u>	<u><b>\$731,923</b></u>

**Building/Lease Purchase**

With the passage of a 3-mill permanent improvement levy in November, 1996, the District implemented a building additions project for the Rock Creek and Jefferson Elementary buildings. To finance the project, the District entered into a building lease/purchase program in April, 1998 with Huntington National Bank, in the amount of \$1,025,000 at an average rate of 5.15%. At the conclusion of the building project, the District will make lease payments to Huntington National Bank, from the 3-mill levy proceeds, over a period of four fiscal years, at which time the property will be wholly owned by the District. This lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded in the general long-term obligations account group. The schedule of principal and related interest payments is as follows:

<b>Building Lease Payment Schedule</b>			
	Principal	Interest	Total Payment
FY2001	\$300,000	\$23,948	\$323,948
FY2002	315,000	8,111	323,111
	<u><b>\$615,000</b></u>	<u><b>\$32,059</b></u>	<u><b>\$647,059</b></u>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**15. SEGMENTS OF ENTERPRISE ACTIVITIES**

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

	<b>Lunchroom Fund</b>	<b>Uniform School Supply Fund</b>	<b>Total</b>
Operating Revenues	\$361,266	\$27,743	\$389,009
Operating Expenses:			
Depreciation	(4,437)		(4,437)
Other Expenses	(592,722)	(25,662)	(618,384)
Total Operating Expenses	<u>(597,159)</u>	<u>(25,662)</u>	<u>(622,821)</u>
Operating Income (Loss)	(235,893)	2,081	(233,812)
Non Operating Revenues and Expenses:			
Operating Grants	199,117		199,117
Net Income	<u>(\$36,776)</u>	<u>\$2,081.</u>	<u>(\$34,695)</u>
Net Working Capital	<u>(\$44,067)</u>	<u>\$6,419</u>	<u>(\$37,648)</u>
Total Assets	<u>\$58,309</u>	<u>\$6,418</u>	<u>\$64,727</u>
Total Contributed Capital	<u>\$7,100</u>		<u>\$7,100</u>
Total Fund Equity	<u>(\$9,913)</u>	<u>\$6,419</u>	<u>(\$3,494)</u>

**16. JOINTLY GOVERNED ORGANIZATIONS**

**Northeast Ohio Management Information Network:** (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**16. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Ashtabula County Schools Council of Governments:** The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

**Ashtabula County Joint Vocational School District:** The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a nine-member board of education and is funded by levying millage and state and federal support.

The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

**17. SCHOOL FUNDING DECISION/SUBSEQUENT EVENT**

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 that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$6,900,682 of school foundation support for its general fund, and \$6,917,634 in total (all funds) support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has 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 has 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 until at least until June 15, 2001. As of the date of these financial statements, the 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.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

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

**18. 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.

**19. OTHER RELATED PARTY TRANSACTIONS**

The District is liable for the Rock Creek Sewer Assessment, this liability is taken directly from tax proceeds by the County Auditor. The assessment was issued in 1989 and matures in 2014. The balance at June 30, 2000 was \$19,320.

**20. STATUTORY RESERVES**

The District is required by state statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute. Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**20. STATUTORY RESERVES (Continued)**

During fiscal year ended June 30, 2000, the reserve activity was as follows:

	<b>Textbook Reserve</b>	<b>Capital Maintenance Reserve</b>	<b>Budget Stabilization Reserve</b>	<b>Total</b>
Set-Aside Cash Balance, 6/30/99	\$0	\$0	\$136,580	\$136,580
Required Set Aside	248,330	248,330	82,777	579,437
Offset Credits	123,317	559,004	58,038	740,359
Qualifying Disbursements	120,533	358,383		478,916
Total	<u>\$4,480</u>	<u>(\$669,057)</u>	<u>\$161,319</u>	<u>(\$503,258)</u>
Cash Balance Carried Forward to FY01	<u><b>\$4,480</b></u>	<u><b>\$0</b></u>	<u><b>\$161,319</b></u>	<u><b>\$165,799</b></u>

**21. FUND DEFICITS**

The following funds had deficit balances/retained earnings at June 30, 2000:

Food Service	\$	(9,913)
Athletic Fund	\$	(88)
Title I	\$	(4,646)

These deficits 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 the deficit. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

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**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$27,698		\$26,890
National School Breakfast Program	05-PU-1999 05-PU-2000	10.553	\$7,505 <u>24,276</u>		\$7,505 <u>24,276</u>	
Subtotal - National Breakfast Program			<u>31,781</u>		<u>31,781</u>	
National School Lunch Program	03-PU-1999 03-PU-2000 04-PU-1999 04-PU-2000	10.555	6,879 21,814 30,285 <u>94,545</u>		6,879 21,814 30,285 <u>94,545</u>	
Subtotal - National School Lunch Program			<u>153,523</u>		<u>153,523</u>	
Total Department of Agriculture - Nutrition Cluster			<u>185,304</u>	<u>27,698</u>	<u>185,304</u>	<u>26,890</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-1999 C1-S1-2000	84.010	<u>214,380</u>		29,725 <u>197,782</u>	
Subtotal - Grants to Local Educational Agencies			214,380		227,507	
Safe and Drug Free Schools	DR-SP-1999	84.186	(13)		2,554	
Goals 2000	G2-S1-1997 G2-S1-1998 G2-S1-1999	84.276	(8,830) 3,034 <u>          </u>		<u>5,000</u>	
Subtotal - Goals 2000			(5,796)		8,034	
Innovative Educational Program Strategies	C2-S1-1999 C2-S1-2000	84.298	1,506 <u>3,346</u>		8,100 <u>7,624</u>	
Subtotal - Innovative Educational Program Strategies			4,852		15,724	
Class Size Reduction	CR-S1-2000	84.340	36,569		25,820	
<i>Passed Through Ashtabula County Joint Vocational School:</i>						
Vocational Education - Basic Grants to States		84.048	<u>3,415</u>		<u>3,415</u>	
Total Department of Education			<u>253,407</u>		<u>283,054</u>	
<b>UNITED STATES DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Cluster:						
Medical Assistance Program - Title XIX - Community Alternative Funding System		93.778	<u>11,867</u>		<u>11,867</u>	
<b>Totals</b>			<u><b>\$450,578</b></u>	<u><b>\$27,698</b></u>	<u><b>\$480,225</b></u>	<u><b>\$26,890</b></u>

*The notes to the schedule of federal awards expenditures is an integral part of this schedule.*

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2000**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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

Voinovich Government Center  
242 Federal Plaza West  
Suite 302  
Youngstown, Ohio 44503  
Telephone 330-797-9900  
800-443-9271  
Facsimile 330-797-9949  
www.auditor.state.oh.us

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

Jefferson Area Local School District  
Ashtabula County  
45 East Satin Street  
Jefferson, Ohio 44047

To the Board of Education:

We have audited the financial statements of Jefferson Area Local School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. 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 Jefferson Area Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 a certain immaterial instance of noncompliance that we have reported to management of Jefferson Area Local School District in a separate letter dated January 19, 2001.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Area Local School 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 Jefferson Area Local School District in a separate letter dated January 19, 2001.

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

**Jim Petro**  
Auditor of State

January 19, 2001



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

Voinovich Government Center  
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Youngstown, Ohio 44503  
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800-443-9271  
Facsimile 330-797-9949  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Jefferson Area Local School District  
Ashtabula County  
45 East Satin Street  
Jefferson, Ohio 44047

To the Board of Education:

**Compliance**

We have audited the compliance of Jefferson Area Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. Jefferson Area Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jefferson Area Local School District's management. Our responsibility is to express an opinion on Jefferson Area Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 Jefferson Area Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Area Local School District's compliance with those requirements.

In our opinion, Jefferson Area Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

**Internal Control Over Compliance**

The management of Jefferson Area Local School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Area Local School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

**Jim Petro**  
Auditor of State

January 19, 2001



**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A -133 § .505**  
**JUNE 30, 2000**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA # 10.550, 10.553, and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**JEFFERSON AREA LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 13, 2001**