



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

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



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

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**STATE OF OHIO**



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups June 30, 2000 .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund - For the Year Ended June 30, 2000 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types - For the Year Ended June 30, 2000 .....	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - Proprietary Fund Type - For the Year Ended June 30, 2000 .....	10
Combined Statement of Cash Flows - Proprietary Fund Type - For the Year Ended June 30, 2000 .....	11
Notes to the General Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	38
Notes to Schedule of Federal Awards Expenditures .....	40
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	41
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	43
Schedule of Findings .....	45
Corrective Action Plan .....	49

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Jefferson Township Local School District  
Montgomery County  
2989 South Union Road  
Dayton, Ohio 45418

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Jefferson Township Local School District, Montgomery 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 District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type 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 February 9, 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

February 9, 2001

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JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$847,323	\$479,155	\$643	\$80,117
Receivables (net of allowances of uncollectibles):				
Property taxes	3,408,704			111,708
Accounts		355		
Advances to other funds	6,000			
Due from other governments	150			
Prepayments	8,727			
Materials and supplies inventory	21,375			
Restricted assets:				
Equity in pooled cash and cash equivalents	68,897			
Property, plant and equipment (net of accumulated depreciation where applicable)				
<b>Other Debits:</b>				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
<b>Total assets and other debits</b>	<u>\$4,361,176</u>	<u>\$479,510</u>	<u>\$643</u>	<u>\$191,825</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$10,258	\$2,229		
Accrued wages and benefits	415,213	40,015		
Compensated absences payable	63,179			
Pension obligation payable	65,896	20,994		
Advances from other funds		6,000		
Deferred revenue	3,281,554			\$107,569
Due to students				
Energy conservation bonds payable				
<b>Total liabilities</b>	<u>3,836,100</u>	<u>69,238</u>		<u>107,569</u>
<b>Equity and Other Credits:</b>				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	27,351	48,738		10,910
Reserved for supplies inventory	21,375			
Reserved for prepayments	8,727			
Reserved for debt service			643	
Reserved for tax revenue				
Unavailable for appropriation	127,150			4,139
Reserved for advances	6,000			
Reserved for budget stabilization	68,897			
Unreserved-undesignated	265,576	361,534		69,207
<b>Total equity and other credits</b>	<u>525,076</u>	<u>410,272</u>	<u>643</u>	<u>84,256</u>
<b>Total liabilities, equity and other credits</b>	<u>\$4,361,176</u>	<u>\$479,510</u>	<u>\$643</u>	<u>\$191,825</u>

See Accompanying Notes to the General-Purpose Financial Statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
\$64,251	\$21,834			\$1,493,323
				3,520,412
84				439
				6,000
38,097				38,247
				8,727
8,229				29,604
				68,897
46,769		\$5,927,797		5,974,566
			\$643	643
			441,816	441,816
<u>\$157,430</u>	<u>\$21,834</u>	<u>\$5,927,797</u>	<u>\$442,459</u>	<u>\$11,582,674</u>
				\$12,487
\$14,750				469,978
9,457			\$251,337	323,973
26,874			41,122	154,886
				6,000
1,809				3,390,932
	\$21,782			21,782
			150,000	150,000
<u>52,890</u>	<u>21,782</u>		<u>442,459</u>	<u>4,530,038</u>
		5,927,797		5,927,797
104,540				104,540
				86,999
				21,375
				8,727
				643
				131,289
				6,000
				68,897
	52			696,369
<u>104,540</u>	<u>52</u>	<u>5,927,797</u>		<u>7,052,636</u>
<u>\$157,430</u>	<u>\$21,834</u>	<u>\$5,927,797</u>	<u>\$442,459</u>	<u>\$11,582,674</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
<b>Revenues:</b>						
From local sources:						
Taxes	\$2,950,639			\$96,531	\$3,047,170	
Tuition	92,445				92,445	
Earnings on investments	80,264				80,264	
Other local revenues	22,127	\$63,014			85,236	
Other revenue		500			500	
Intergovernmental - State	3,036,877	301,589		11,218	3,349,684	
Intergovernmental - Federal		349,088			349,088	
Total revenue	<u>6,182,352</u>	<u>714,191</u>		<u>107,749</u>	<u>7,004,387</u>	
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,411,498	152,173		12,267	2,575,938	
Special	318,162	270,597			588,759	
Vocational	58,259				58,259	
Other	149,798	2,254			152,052	
Support services:						
Pupil	316,373	37,416			353,789	
Instructional staff	102,770	37,884			140,654	
Board of Education	26,817				26,817	
Administration	751,095	24,729		583	776,533	
Fiscal	448,033	1,733		3,226	452,992	
Operations and maintenance	724,901	648		5,504	731,053	
Pupil transportation	603,916				603,916	
Central	42,141	57,221			99,362	
Community services	4,128	15,667			19,795	
Extracurricular activities	86,755	72,934			159,689	
Facilities services				114,421	114,421	
Debt service:						
Principal retirement			30,000		30,000	
Interest and fiscal charges			8,910		8,910	
Total expenditures	<u>6,044,646</u>	<u>673,256</u>	<u>38,910</u>	<u>136,001</u>	<u>6,892,939</u>	
Excess (deficiency) of revenues over (under) expenditure	137,706	40,935	(38,910)	(28,252)	(31)	111,448
<b>Other financing sources (uses):</b>						
Operating transfers in		155	38,910		39,065	
Operating transfers out	(39,065)				(39,065)	
Proceeds of sale of fixed assets	2,227				2,227	
Total other financing sources (uses)	<u>(36,838)</u>	<u>155</u>	<u>38,910</u>		<u>2,227</u>	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	100,868	41,090	0	(28,252)	(31)	113,675
Fund balance, July 1	424,914	369,182	643	112,508	83	907,330
Decrease in reserve for inventory	(706)					(706)
Fund balance, June 30	<u>\$525,076</u>	<u>\$410,272</u>	<u>\$643</u>	<u>\$84,256</u>	<u>\$52</u>	<u>\$1,020,299</u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes	\$2,876,885	\$2,927,860	\$50,975			
Tuition	90,836	92,445	1,609			
Earnings on investments	78,867	80,264	1,397			
Other local revenues	7,314	7,444	130	\$53,626	\$62,659	\$9,033
Other revenue				428	500	72
Intergovernmental - State	2,983,857	3,036,727	52,870	258,112	301,590	43,478
Intergovernmental - Federal				<u>372,604</u>	<u>435,368</u>	<u>62,764</u>
Total revenues	<u>6,037,759</u>	<u>6,144,740</u>	<u>106,981</u>	<u>684,770</u>	<u>800,117</u>	<u>115,347</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,450,346	2,441,082	9,264	147,055	160,125	(13,070)
Special	299,564	322,394	(22,830)	279,379	331,921	(52,542)
Vocational	55,091	60,278	(5,187)			
Other	145,388	162,314	(16,926)	2,134	2,938	(804)
Support services:						
Pupil	299,997	327,785	(27,788)	36,805	48,453	(11,648)
Instructional staff	99,493	106,600	(7,107)	35,470	38,018	(2,548)
Board of Education	27,009	27,057	(48)			
Administration	720,122	766,915	(46,793)	26,989	29,988	(2,999)
Fiscal	415,110	453,806	(38,696)	1,733	1,733	0
Operations and maintenance	725,560	757,523	(31,963)	648	648	0
Pupil transportation	597,483	630,579	(33,096)			
Central	39,006	42,384	(3,378)	52,380	57,007	(4,627)
Community services	1,720	4,128	(2,408)	15,674	15,924	(250)
Extracurricular activities	82,856	88,599	(5,743)	81,106	81,813	(707)
Facilities services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>5,958,745</u>	<u>6,191,444</u>	<u>(232,699)</u>	<u>679,373</u>	<u>768,568</u>	<u>(89,195)</u>
Excess (deficiency) of revenues over (under) expenditures	79,014	(46,704)	(125,718)	5,397	31,549	26,152
<b>Other financing sources (uses):</b>						
Refund of prior year's expenditures	28,149	28,648	499			
Operating transfers in	79,853	81,268	1,415	109,562	128,018	18,456
Operating transfers (out)	(123,283)	(127,333)	(4,050)		(127,863)	(127,863)
Advances in	49,129	50,000	871	42,792	50,000	7,208
Advances (out)	(50,000)	(50,000)	0	(50,000)	(50,000)	0
Proceeds of sale of fixed assets	2,188	2,227	39			
Total other financing sources (uses)	<u>(13,964)</u>	<u>(15,190)</u>	<u>(1,226)</u>	<u>102,354</u>	<u>155</u>	<u>(102,199)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	65,050	(61,894)	(126,944)	107,751	31,704	(76,047)
Fund balances, July 1	870,714	870,714	0	356,628	356,628	0
Prior year encumbrances appropriated	<u>69,623</u>	<u>69,623</u>	<u>0</u>	<u>39,856</u>	<u>39,856</u>	<u>0</u>
<b>Fund balances, June 30</b>	<b><u>\$1,005,387</u></b>	<b><u>\$878,443</u></b>	<b><u>(\$126,944)</u></b>	<b><u>\$504,235</u></b>	<b><u>\$428,188</u></b>	<b><u>(\$76,047)</u></b>

See Accompanying Notes to the General-Purpose Financial Statements.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$93,013	\$95,845	\$2,832	\$2,969,898	\$3,023,705	\$53,807
						90,836	92,445	1,609
						78,867	80,264	1,397
						60,940	70,103	9,163
						428	500	72
			10,887	11,218	331	3,252,856	3,349,535	96,679
						372,604	435,368	62,764
			103,900	107,063	3,163	6,826,429	7,051,920	225,491
			12,280	12,280	0	2,609,681	2,613,487	(3,806)
						578,943	654,315	(75,372)
						55,091	60,278	(5,187)
						147,522	165,252	(17,730)
						336,802	376,238	(39,436)
						134,963	144,618	(9,655)
						27,009	27,057	(48)
			583	583	0	747,694	797,486	(49,792)
			2,850	3,226	(376)	419,693	458,765	(39,072)
			5,504	5,504	0	731,712	763,675	(31,963)
						597,483	630,579	(33,096)
						91,386	99,391	(8,005)
						17,394	20,052	(2,658)
						163,962	170,412	(6,450)
			126,372	126,273	99	126,372	126,273	99
\$30,000	\$30,000	\$0				30,000	30,000	0
8,910	8,910	0				8,910	8,910	0
38,910	38,910	0	147,589	147,866	(277)	6,824,617	7,146,788	(322,171)
(38,910)	(38,910)	0	(43,689)	(40,803)	2,886	1,812	(94,868)	(96,680)
						28,149	28,648	499
38,910	38,910	0				228,325	248,196	19,871
						(123,283)	(255,196)	(131,913)
						91,921	100,000	8,079
						(100,000)	(100,000)	0
						2,188	2,227	39
38,910	38,910	0				127,300	23,875	(103,425)
0	0	0	(43,689)	(40,803)	2,886	129,112	(70,993)	(200,105)
644	644	0	48,536	48,536	0	1,276,522	1,276,522	0
			61,474	61,474	0	170,953	170,953	0
<b>\$644</b>	<b>\$644</b>	<b>\$0</b>	<b>\$66,321</b>	<b>\$69,207</b>	<b>\$2,886</b>	<b>\$1,576,587</b>	<b>\$1,376,482</b>	<b>(\$200,105)</b>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
<b>Operating revenues:</b>	
Tuition and fees	\$2,660
Sales/charges for services	70,403
Total operating revenues	73,063
<b>Operating expenses:</b>	
Personal services	254,683
Contract services	14,681
Materials and supplies	199,219
Depreciation	4,815
Total operating expenses	473,398
Operating loss	(400,335)
<b>Nonoperating revenues:</b>	
Operating grants	327,541
Federal commodities	21,513
Interest revenue	2,745
Total nonoperating revenues	351,799
Net loss	(48,536)
Retained earnings, July 1	153,076
<b>Retained earnings, June 30</b>	<b><u><u>\$104,540</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements.*

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED JUNE 30, 2000**

	<b>Proprietary Fund Type</b>
Increase (Decrease) in Cash and Cash Equivalents:	<b>Enterprise</b>
Cash flows from operating activities:	
Cash received from tuition and fees	\$2,660
Cash received from sales/service charges	70,319
Cash payments for personal services	(245,202)
Cash payments for contract services	(15,087)
Cash payments supplies and materials	(187,108)
Net cash used in operating activities	(374,418)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	345,241
Net cash provided by noncapital financing activities	345,241
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,088)
Net cash used in capital and related financing activities	(4,088)
Cash flows from investing activities:	
Interest received	2,745
Net cash provided by investing activities	2,745
Net decrease in cash and cash equivalents	(30,520)
Cash and cash equivalents at beginning of year	94,771
Cash and cash equivalents at end of year	\$64,251
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$400,335)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,815
Federal donated commodities	21,513
Changes in assets and liabilities:	
Increase in supplies inventory	(3,595)
Increase in accounts receivable	(84)
Decrease in accounts payable	(6,266)
Decrease in accrued wages & benefits	(1,759)
Increase in compensated absences payable	6,657
Increase in pension obligation payable	4,583
Increase in deferred revenue	53
Net cash used in operating activities	(\$374,418)

*See Accompanying Notes to the General-Purpose Financial Statements.*

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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Jefferson Township Local School District ("District") is located in Montgomery County and encompasses all of Jefferson Township. The District serves an area of approximately 35 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 565<sup>th</sup> largest by enrollment among the 660 public and community school districts in the State, and 16<sup>th</sup> in Montgomery County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 51 non-certified and 70 certified employees to provide services to 747 students in grades K through 12 and various community groups.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**1. Jointly Governed Organizations:**

**Miami Valley Career Tech Joint Vocational School** - The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The JVS accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**Metropolitan Dayton Educational Cooperative (MDECA)** - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Darke, Greene, Miami and Montgomery Counties. The 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 school districts.

The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. Financial information can be obtained from Jerry C. Woodyard, Executive Director of MDECA at 201 Riverside Drive, Dayton, Ohio 45405.

The District also participates in an insurance group purchasing pool, described in Note 10.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. 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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

**General Fund** - The General fund is the general operating fund of the District and 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 in accordance with applicable Ohio statute.

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Funds** - Capital Projects Funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by Proprietary Funds).

**2. Proprietary Funds**

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's Proprietary Fund Type:

**Enterprise Funds** - Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. Fiduciary Funds**

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 governmental units and/or other funds. These include Expendable Trust and Agency Funds. The Expendable Trust fund is accounted for in essentially the same manner as Governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund is presented on a budget basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

**General Fixed Assets Account Group** - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Fund.

**General Long-Term Obligations Account Group** - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Fund.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**C. Measurement Focus/Basis of Accounting**

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

The Proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. The Proprietary Fund Type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) 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; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary fund is accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds at year-end are disclosed in Note 11.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal 2000 totaled \$80,264, which included \$30,879 assigned from other funds of the District.

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**F. Inventory**

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of the Proprietary fund are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Prepaids**

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**H. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

**2. Proprietary Fund**

Equipment reflected in this fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. A 10% salvage value is used for Proprietary fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Minor Equipment	5 - 20
Vehicles	4 - 6

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

**General Fund**

State Foundation Program  
State Property Tax Relief

**Special Revenue Funds**

Disadvantaged Pupil Impact Aid

**Capital Projects Funds**

State Property Tax Relief

**Non-Reimbursable Grants**

**Special Revenue Funds**

Auxiliary Services  
Management Information Systems  
Title VI-B  
Teacher Development  
Title I  
Title II  
Drug-Free School  
Preschool for the Handicapped  
Ohio Reads  
Safe School Helpline  
Parent Mentor Project

**Non-Reimbursable Grants - (cont.)**

Special Revenue Fund - (cont.)

School Incentive Award

Learn and Serve

Performance Incentive

Title VI-R

**Reimbursable Grants**

**General Fund**

Driver Education

School Bus Purchases

Library Automation

**Special Revenue Funds**

Telecommunications

**Proprietary Funds**

National School Lunch Program

National School Milk Program

Grants and entitlements amounted to over 54% of the District's operating revenue during the 2000 fiscal year.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from the Proprietary Fund is recorded as an expense when earned.

**K. Long-Term Obligations**

In general, Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences that will be paid from Governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due.

Long-term debt and other obligations financed by Proprietary funds are reported as liabilities in the appropriate Proprietary funds.

**L. Fund Equity**

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 encumbrances, debt service, materials and supplies inventory, tax revenue unavailable for appropriation, budget stabilization and prepaids. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**M. Interfund Transactions**

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**N. Statutory Reserves**

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balance as of July 1, 1999	\$ 12,391	\$ 0	\$68,897	\$81,288
Current year set-aside requirement	134,383	134,383		268,766
Current year offsets			(95,845)	(95,845)
Qualifying disbursements	(198,588)	(174,037)	_____	(372,625)
Total	(51,814)	(135,499)	68,897	(118,416)
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$68,897</u>	<u>\$ 68,897</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

The District had qualifying disbursements during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amount in the textbook set-aside may be used to reduce the set-aside requirements in future years.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	<u>\$68,897</u>
Total restricted assets	<u>\$68,897</u>

**O. Statement of Cash Flows**

The District's Financial Statements have been prepared in accordance with GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. For purposes of GASB Statement No. 9, "Cash and Cash Equivalents" refers to "Equity in Pooled Cash and Cash Equivalents". The District has presented a statement of cash flows for its Proprietary Fund Type.

**P. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Q. Restricted Assets**

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation.

**R. Estimates**

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

**S. Nicholas Residential Treatment Center**

Current state legislation provides funding to Nicholas Residential Treatment Center ("the Center"). These monies are received and distributed on behalf of the Center by the Treasurer of the District, as directed by the Center. The receipt and fiduciary liability of these state monies are reflected in a Special Revenue Fund for financial reporting purposes.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**T. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position 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. ACCOUNTABILITY, COMPLIANCE, AND PRIOR PERIOD ADJUSTMENT**

**A. Legal Compliance**

The School District is required to disclose all instances of violations of finance related legal provisions. During the audit period the School District was found to be in violation of the following provisions:

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41(B), Ohio Revised Code:

Fiscal Year / Fund	Expenditures Exceeding Appropriations
<i>General Fund (001)</i>	\$236,750
<i>Special Revenue Funds:</i>	
<i>Public School Support (018)</i>	\$3,000
<i>District Managed Funds (300)</i>	\$707
<i>Auxillary Service (401)</i>	\$250
<i>Career Development (409)</i>	\$773
<i>Teacher Development (416)</i>	\$3,844
<i>DPIA (447)</i>	\$136,858
<i>Ohio Reads (459)</i>	\$3,100
<i>PEDL Grant (499)</i>	\$816
<i>Title II (514)</i>	\$435
<i>Title VI-B (516)</i>	\$4,165
<i>Title 1 (572)</i>	\$51,513
<i>Drug Free Grant (584)</i>	\$561
<i>Cont. Improvement (599)</i>	\$11,260
<i>Capital Projects Funds</i>	
<i>Permanent Improvement (003)</i>	\$276
<i>Enterprise Fund</i>	
<i>Food Service (006)</i>	\$35,386
<i>Fiduciary Fund</i>	
<i>Student Activity (200)</i>	\$2,550

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**3. ACCOUNTABILITY, COMPLIANCE AND PRIOR PERIOD ADJUSTMENT (Continued)**

Ohio Revised Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides an exception to the above requirements:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education.

For selected transactions during FY 2000, invoice dates preceded purchase order dates which indicates that the obligation was made prior to certification by the Fiscal Officer and a "then and now" certificate was not utilized.

**B. Deficit Fund Balances**

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Title VI-B	\$6,862
Teacher Development	19
Vocational Education	3

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

**C. Agency Fund**

The following are accruals for the Agency Fund, which, in another fund type, would be recognized on the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$300

**D. Restatement of General Long Term Obligations Account Group**

A restatement was done in the General Long Term Obligations Account Group to adjust for compensated absences that were overstated in the prior year.

The restatement had the following effect on total liabilities as of June 30, 1999:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**3. ACCOUNTABILITY, COMPLIANCE AND PRIOR PERIOD ADJUSTMENT (Continued)**

**General Long Term Obligations  
Account Group**

Total liabilities as previously reported	\$547,822
Restatement of compensated absences payable	<u>(31,828)</u>
Restated total liabilities as of June 30, 1999	<u>\$515,994</u>

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

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

**Deposits:** At year end, the carrying amount of the District's deposits was \$6,638 and the bank balance was \$222,241. Of the bank balance, \$100,000 was covered by federal depository insurance and \$122,241 was uninsured and not collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 3	Fair Value
Repurchase Agreement	\$452,155	\$ 452,155
Not Subject to Categorization:		
STAR Ohio	_____	1,103,427
Total Investments	<u>\$452,155</u>	<u>\$1,555,582</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

The classification of cash and cash equivalents, and investments on the combined balance sheet 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.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,562,220	
Investments of the Cash Management Pool:		
Repurchase Agreement	(452,155)	\$ 452,155
STAR Ohio	<u>(1,103,427)</u>	<u>1,103,427</u>
GASB Statement No. 3	<u>\$ 6,638</u>	<u>\$1,555,582</u>

**5. INTERFUND TRANSACTIONS**

**A.** The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$39,065
<u>Special Revenue Fund</u>		
Title II	\$ 155	
Debt Service Fund	<u>38,910</u>	
Total	<u>\$39,065</u>	<u>\$39,065</u>

**B.** The following is a summarized breakdown of the District's long-term advances receivable and payable at June 30, 2000:

	<u>Advances Receivable</u>	<u>Advances Payable</u>
General Fund	\$6,000	
<u>Special Revenue Fund</u>		
District Managed Student Activities	_____	\$6,000
Total	<u>\$6,000</u>	<u>\$6,000</u>



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$73,139,132. Agricultural/Residential and public utility real estate represented 73.81% or \$53,985,790 of this total; Commercial & Industrial real estate represented 6.57% or \$4,807,450 of this total; public utility tangible represented 9.54% or \$6,971,950 of this total; and general tangible property represented 10.08% or \$7,373,942 of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$53.30 per \$1,000.00 of assessed valuation and the voted tax rate for permanent improvements was \$2.00 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

**7. RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**7. RECEIVABLES**

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - Current & Delinquent	\$3,408,704
<u>Capital Projects Funds</u>	
Taxes - Current & Delinquent	111,708
<u>Enterprise Funds</u>	
Due From Other Governments	38,097

**8. FIXED ASSETS**

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Land/Improvements	\$ 262,282	\$ 9,000		\$ 271,282
Buildings/Improvements	3,549,436	89,180		3,638,616
Furniture/Equipment	1,267,706	120,457	\$(87,435)	1,300,728
Vehicles	538,508	187,363	(8,700)	717,171
Total	\$5,617,932	\$406,000	\$(96,135)	\$5,927,797

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	\$ 161,573
Less: Accumulated Depreciation	(114,804)
Net Fixed Assets	\$ 46,769

**9. LONG-TERM OBLIGATIONS**

**A.** Energy conservation bonds outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these bonds are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these bonds without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the bonds outstanding as of June 30, 2000:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**9. LONG-TERM OBLIGATIONS**

	Interest Rates	Maturity Date	Bonds Outstanding July 1, 1999	Bonds Issued In 2000	Bonds Retired In 2000	Bonds Outstanding June 30, 2000
H.B. 264 - Energy Bonds	5.40%	12/01/05	\$180,000	\$ 0	\$30,000	\$150,000
			<u>\$180,000</u>	<u>\$ 0</u>	<u>\$30,000</u>	<u>\$150,000</u>

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

Year Ending	Principal on Bonds	Interest on Bonds	Total
2001	\$ 25,000	\$ 7,425	\$ 32,425
2002	25,000	6,075	31,075
2003	25,000	4,725	29,725
2004	25,000	3,375	28,375
2005	25,000	2,025	27,025
2006	<u>25,000</u>	<u>675</u>	<u>25,675</u>
Total	<u>\$150,000</u>	<u>\$24,300</u>	<u>\$174,300</u>

C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Restated Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Compensated Absences:				
Sick Leave (severance)	\$284,742	\$6,803	\$ (40,634)	\$250,911
Vacation	2,065	17,564	(19,203)	426
H.B. 264 - Energy Bonds	180,000	0	(30,000)	150,000
Pension Obligation Payable	<u>49,187</u>	<u>41,122</u>	<u>(49,187)</u>	<u>41,122</u>
Total	<u>\$515,994</u>	<u>\$65,489</u>	<u>\$(139,024)</u>	<u>\$442,459</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$6,583,165 (including available funds of \$643) and an unvoted debt margin of \$73,139.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**10. RISK MANAGEMENT**

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 carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. The workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**11. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two Enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 70,403	\$ 2,660	\$ 73,063
Depreciation	4,815		4,815
Operating income (loss)	(402,995)	2,660	(400,335)
Operating grants	327,541		327,541
Net income (loss)	(51,196)	2,660	(48,536)
Net working capital	40,828	26,400	67,228
Total assets	131,030	26,400	157,430
Long-term liabilities			
payable from fund revenues	9,457		9,457
Total liabilities	52,890		52,890
Total equity	78,140	26,400	104,540
Encumbrances at June 30	6,500		6,500

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$172,745, \$169,385, and \$159,389, respectively; 53 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$79,878, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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 \$459,854, \$422,872, and \$423,215, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$67,824, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. Social Security System**

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**13. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$262,774 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million 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 this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$90,501 during the 2000 fiscal year. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**14. BUDGETARY BASIS OF ACCOUNTING (Continued)**

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

Governmental Fund Types

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>
Budget Basis	\$ (61,894)	\$ 31,704	\$(40,803)
Net Adjustment for Revenue Accruals	37,612	(85,926)	686
Net Adjustment for Expenditure Accruals	109,189	44,345	955
Net Adjustment for Other Financing Sources (Uses)	(21,648)		
Encumbrances (Budget Basis)	<u>37,609</u>	<u>50,967</u>	<u>10,910</u>
GAAP Basis	<u>\$100,868</u>	<u>\$ 41,090</u>	<u>\$(28,252)</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

**15. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District is involved in no litigation as either plaintiff or defendant.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in 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 \$2,313,356 in total (all funds) for school foundation support.

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

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

As of the date of these financial statements, the 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.



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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		21,627		21,513
School Breakfast Program	05-PU 99	10.553	27,249		27,249	
	05-PU 00		60,604		60,604	
Total School Breakfast Program			87,853	0	87,853	0
National School Lunch Program	03-PU 99	10.555	7,556		7,556	
	03-PU 00		17,531		17,531	
	04-PU 99		51,745		51,745	
	04-PU 00		114,710		114,710	
Total National School Lunch Program			191,542	0	191,542	0
Summer Food Service Program	23-ML 99	10.559	11,218		22,809	
	23-ML 00		23,016		14,468	
	24-AD 99		2,655		5,398	
	24-AD 00		1,614		1,015	
Total Summer Food Service Program			38,503	0	43,690	0
Total Nutrition Cluster/ Total U.S. Department of Agriculture			317,898	21,627	323,085	21,513
<b>OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES</b>						
(Passed through State of Ohio Library)						
Library Services And Technology Grant	II 19-E-2-98	45.310	(1,479)		12,888	
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Special Education Cluster:						
Special Education Grants to States	6B-SF 99P	84.027			7,545	
	6B-SF 00P		44,804		43,192	
Total Special Education Grants to States			44,804	0	50,737	0
Special Education Grants to States - Pre School	PG-S1 99	84.173			1,521	
	PG-S1 00		1,848		1,848	
Total Special Education Grants to States - Pre School			1,848	0	3,369	0
Total Special Education Cluster			46,652	0	54,106	0

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF EDUCATION (Continued)</b>						
Title I	C1-S1 98	84.010			57,492	
	C1-S1 99		4,542		(13,973)	
	C1-S1 00		293,967		235,001	
	C1-SD 98				420	
	C1-SD 99				8,960	
	C1-SD 00		20,406		12,038	
Total Title I			318,915	0	299,938	0
Safe and Drug Free Schools and Communities	DR-S1 98	84.186	(3,485)			
	DR-S1 99		7,385		8,341	
	DR-S1 00		8,307		3,990	
Total Safe and Drug Free Schools and Communities			12,207	0	12,331	0
Goals 2000 Performance Incentive	G2-S1 99P	84.276	(724)		31,542	
	G2-S1 00		28,598		6,602	
	G2-S2 99				5,000	
Total Goals 2000 Performance Incentive			27,874	0	38,144	0
Eisenhower Professional Development	MS-S1 00	84.281	8,589		2,724	
Innovative Education Program Strategies	C2-S1 98C	84.298	(3,375)			
	C2-S1 99				1,458	
	C2-S1 00		2,382		678	
Total Innovative Education Program Strategies			(993)	0	2,136	0
Class Size Reduction	CR-S1-00	84.340	15,862		14,042	
(Passed through Miami Valley Career Technology Center)						
Vocational Education	ICP 98	84.048			22	
	ICP 99				1,604	
Total Vocational Education			0	0	1,626	0
Total U.S. Department of Education			429,106	0	425,047	0
<b>CORPORATION FOR NATIONAL SERVICE</b>						
(Passed through Ohio Department of Education)						
Learn & Serve America	SV-S1 98C	94.004	(4,534)		5,460	
	SV-S3 99				4,763	
	SV-S4 00		10,000		7,820	
Total Learn & Serve America			5,466	0	18,043	0
Total Federal Assistance			\$750,991	\$21,627	\$779,063	\$21,513

See accompanying notes to the schedule of federal awards expenditures.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY 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 - NUTRITION CLUSTER**

Nonmonetary assistance 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.



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

Jefferson Township Local School District  
Montgomery County  
2989 South Union Road  
Dayton, Ohio 45418

To the Board of Education:

We have audited the financial statements of Jefferson Township Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2000, and have issued our report thereon dated February 9, 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 the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-10357-001 and 2000-10357-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 9, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2000-10357-003.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 9, 2001.

This report is intended for the information and use of the 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

February 9, 2001



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

Jefferson Township Local School District  
Montgomery County  
2989 South Union Road  
Dayton, Ohio 45418

To the Board of Education:

**Compliance**

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

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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

**Internal Control Over Compliance**

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2000-10357-003.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 9, 2001.

This report is intended for the information and use of the 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

February 9, 2001



**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**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>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<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>	Yes
<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>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	-Nutrition Cluster,CFDA #10.550, 10.553, 10.555, 10.559 -Title 1, CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type AIB Programs</b>	Type A: \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

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

**FINDING NUMBER 2000-10357-001**

Ohio Rev. Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At June 30, 2000, actual expenditures plus outstanding encumbrances exceeded appropriations in the following funds:

Fund	Excess
<i>General Fund (001)</i>	\$236,750
<i>Special Revenue Funds:</i>	
<i>Public School Support (018)</i>	\$3,000
<i>District Managed Funds (300)</i>	\$707
<i>Auxiliary Service (401)</i>	\$250
<i>Career Development (409)</i>	\$773
<i>Teacher Development (416)</i>	\$3,844
<i>DPIA (447)</i>	\$136,858
<i>Ohio Reads (459)</i>	\$3,100
<i>PEDL Grant (499)</i>	\$816
<i>Title II (514)</i>	\$435
<i>Title VI-B (516)</i>	\$4,165
<i>Title 1 (572)</i>	\$51,513
<i>Drug Free Grant (584)</i>	\$561
<i>Cont. Improvement (599)</i>	\$11,260
<i>Capital Projects Fund:</i>	
<i>Permanent Improvement (003)</i>	\$276
<i>Enterprise Fund:</i>	
<i>Food Service (006)</i>	\$35,386
<i>Fiduciary Fund:</i>	
<i>Student Activity (200)</i>	\$2,550

Testing of expenditures and encumbrances within appropriations at the legal level of control at fiscal year end noted that 47% of line items tested had expenditures and encumbrances that exceeded appropriations.

The District should monitor appropriations and expenditures throughout the fiscal year, making amendments to its appropriations as needed to be in compliance with this section of Ohio Revised Code. Implementing these procedures will also reduce the risk that the District expends and encumbers more than what was legally appropriated by the Board.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2000-10357-002**

Ohio Revised Code Section 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

This section also provides an exception to the above requirements:

Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without the affirmation of the Board of Education.

In 12% of the transactions tested, invoice dates preceded purchase order dates which indicates that the obligation was made prior to certification by the Fiscal Officer. The District honored these commitments instead of declaring them null and void.

This procedure is not only required by Ohio law, it is also a key control in the disbursement process. This control allows purchase commitments to receive prior approval which helps to reduce the possibility of funds being over expended. To improve controls over disbursements, it is recommended that the Treasurer properly certify the funds before the commitments are made.

**FINDING NUMBER 2000-10357-003**

The District has adopted a fixed asset policy that details procedures regarding the recording and control of fixed assets. Items that are covered in the policy are asset acquisition and disposition forms, tagging of fixed assets, taking a periodic physical inventory of fixed assets, and reporting. Additionally, the State Department of Education requires that an inventory of fixed assets purchased with federal funds be kept and verified by a physical count biannually. Tests of fixed assets noted that these policies have not been implemented. The fixed asset inventory had not been updated since 1998.

Failure to maintain a updated list of fixed assets may result in a suspension of federal funding, inadequate insurance coverage, missing assets not being detected in a timely manner, inadequate records in case of a disaster or an error on the financial statements.

The District should review its policy concerning fixed assets and implement the procedures set forth within the said policy.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2000  
(Continued)

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	Same as 2000-10357-003 above.
<b>CFDA Title and Number</b>	Title 1, CFDA #84.010
<b>Federal Award Number / Year</b>	All awards expended during FY 2000
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

Refer to **FINDING NUMBER 2000-10357-003** above for details.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY  
June 30, 2000**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2000-10357-001	Treasurer will recommend hiring additional person to monitor appropriations	2/19/01	Eddie Jacob, Treasurer
2000-10357-002	Treasurer will recommend hiring additional person to monitor procurement documents	2/19/01	Eddie Jacob, Treasurer
2000-10357-003	Treasurer will recommend hiring additional person to update fixed assets	2/19/01	Eddie Jacob, Treasurer





STATE OF OHIO  
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**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT**

**MONTGOMERY 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  
APRIL 3, 2001**