



**Auditor of State  
Betty Montgomery**



JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

We have audited the accompanying general-purpose financial statements of the Jefferson Area Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Area Local School District, Ashtabula County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

February 12, 2003

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**Jefferson Area Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals 2002	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	(Memorandum (Only))
<b>Assets and Other Debits:</b>										
Equity in Pooled Cash and Cash Equivalents	\$ 1,329,403	128,416	0	285,804	9,788	1,581	51,094	0	0	\$ 1,806,086
Restricted Assets	1,922	0	0	0	0	0	0	0	0	1,922
Taxes Receivable	4,928,655	0	69,723	252,138	0	0	0	0	0	5,250,516
Interfund Receivables	86,298	0	0	0	0	0	0	0	0	86,298
Intergovernmental Receivables	884	0	0	0	23,635	0	0	0	0	24,519
Accounts Receivable	50,374	159	0	0	211	0	82	0	0	50,826
Supplies Inventory	2,397	0	0	0	4,030	0	0	0	0	6,427
Inventory for Resale	0	0	0	0	15,646	0	0	0	0	15,646
Property, Plant & Equipment	0	0	0	0	130,688	0	0	12,210,559	0	12,341,247
Accumulated Depreciation, where applicable	0	0	0	0	(104,289)	0	0	0	0	(104,289)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	1,892,266	1,892,266
<b>Total Assets and Other Debits</b>	<b>\$ 6,399,933</b>	<b>128,575</b>	<b>69,723</b>	<b>537,942</b>	<b>79,709</b>	<b>1,581</b>	<b>51,176</b>	<b>12,210,559</b>	<b>1,892,266</b>	<b>\$ 21,371,464</b>

(Continued)

**Jefferson Area Local School District  
Combined Balance Sheet  
All Fund Types and Account Groups, Continued  
June 30, 2002**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	2002
		Revenue	Service	Project				Agency	Fixed Assets	
Liabilities:										
Interfund Payable	\$ 0	0	0	0	86,298	0	0	0	0	\$ 86,298
Intergovernmental Payable	219,616	7,211	0	0	17,984	0	1,323	0	126,940	373,074
Accounts Payable	94,198	19,046	0	54,102	880	0	161	0	0	168,387
Accrued Salaries and Benefits	789,950	38,845	0	0	10,832	0	0	0	0	839,627
Deferred Revenue	3,117,130	0	69,723	151,986	0	0	0	0	0	3,338,839
Due to Others	0	0	0	0	0	0	37,898	0	0	37,898
General Obligation Notes Payable	0	0	0	0	0	0	0	0	537,024	537,024
Compensated Absences Payable	27,578	0	0	0	15,061	0	0	0	1,228,302	1,270,941
<b>Total Liabilities</b>	<b>4,248,472</b>	<b>65,102</b>	<b>69,723</b>	<b>206,088</b>	<b>131,055</b>	<b>0</b>	<b>39,382</b>	<b>0</b>	<b>1,892,266</b>	<b>6,652,088</b>
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	12,210,559	0	12,210,559
Contributed Capital	0	0	0	0	7,100	0	0	0	0	7,100
Retained Earnings	0	0	0	0	(58,446)	1,581	8,794	0	0	(48,071)
Retained Earnings-Reserved	0	0	0	0	0	0	3,000	0	0	3,000
Fund Balances:										
Reserved for Budget Stabilization	1,922	0	0	0	0	0	0	0	0	1,922
Reserved for Inventory	2,397	0	0	0	0	0	0	0	0	2,397
Reserved for Encumbrances	144,837	23,623	0	81,296	0	0	0	0	0	249,756
Reserved for Future Appropriation	1,811,525	0	0	100,152	0	0	0	0	0	1,911,677
Unreserved Fund Balance	190,780	39,850	0	150,406	0	0	0	0	0	381,036
<b>Total Fund Equity</b>	<b>2,151,461</b>	<b>63,473</b>	<b>0</b>	<b>331,854</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,546,788</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>2,151,461</b>	<b>63,473</b>	<b>0</b>	<b>331,854</b>	<b>(51,346)</b>	<b>1,581</b>	<b>11,794</b>	<b>12,210,559</b>	<b>0</b>	<b>14,719,376</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 6,399,933</b>	<b>128,575</b>	<b>69,723</b>	<b>537,942</b>	<b>79,709</b>	<b>1,581</b>	<b>51,176</b>	<b>12,210,559</b>	<b>1,892,266</b>	<b>\$ 21,371,464</b>

See Accompanying Notes to the General Purpose Financial Statements



**Jefferson Area Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**All Governmental and Expendable Trust Fund Types**  
**Year Ended June 30, 2002**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Project	Expendable Trust	(Memorandum) (Only)
<b>REVENUES:</b>						
Taxes	\$ 4,720,553	0	66,389	311,537	0	\$ 5,098,479
Tuition	52,490	0	0	0	0	52,490
Earnings on Investments	66,219	0	0	0	0	66,219
Extracurricular Activities	0	85,759	0	0	0	85,759
Miscellaneous	55,699	0	0	0	30	55,729
Revenue from State Sources						
Unrestricted Grants-in-Aid	8,351,406	10,852	0	47,877	0	8,410,135
Restricted Grants-in-Aid	278,774	122,684	0	101,945	0	503,403
Revenue from Federal Sources						
Unrestricted Grants -in-Aid	7,278	0	0	0	0	7,278
Restricted Grants-in-Aid	0	327,081	0	0	0	327,081
<b>Total Revenue</b>	<b>13,532,419</b>	<b>546,376</b>	<b>66,389</b>	<b>461,359</b>	<b>30</b>	<b>14,606,573</b>
<b>EXPENDITURES:</b>						
Regular Instruction	6,545,878	87,697	0	202,848	2,120	6,838,543
Special Instruction	977,804	268,917	0	0	0	1,246,721
Vocational Instruction	166,135	0	0	0	0	166,135
Support Services-Pupils	972,077	44,088	0	0	0	1,016,165
Support Services-Instructional Staff	92,314	58,430	0	9,676	0	160,420
Support Services-Board of Education	10,509	0	0	0	0	10,509
Support Services-Administration	869,528	6,636	0	0	0	876,164
Support Services-Fiscal Services	417,186	4,844	0	9,658	0	431,688
Support Services-Business	7,859	0	0	0	0	7,859
Support Services-Operation & Maint-Plant	1,099,727	0	0	184,632	0	1,284,359
Support Services-Pupil Transportation	757,025	0	0	56,116	0	813,141
Support Services-Central	806,607	0	0	0	0	806,607
Food Service Operations	36,729	0	0	0	0	36,729
Community Services	0	58,186	0	0	0	58,186
Academic & Subject Oriented Activities	13,714	0	0	0	0	13,714
Occupation Oriented Activities	0	0	0	0	205	205
Sports Oriented Activities	266,905	43,142	0	0	0	310,047
Co-Curricular Activities	0	2,668	0	0	0	2,668
Building Improvement	15,313	0	0	323,085	0	338,398
Repayment of Debt	0	0	66,389	0	0	66,389
<b>Total Expenditures</b>	<b>13,055,310</b>	<b>574,608</b>	<b>66,389</b>	<b>786,015</b>	<b>2,325</b>	<b>14,484,647</b>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	477,109	(28,232)	0	(324,656)	(2,295)	121,926
Other Financing Sources and Uses:						
Other Financing Sources						
Sale & Loss of Assets	100	0	0	0	0	100
Transfers-In	22,714	46,645	0	33,007	0	102,366
Transfers-Out	(77,612)	0	(15,131)	(9,623)	0	(102,366)
<b>Total Other Financing Sources and Uses:</b>	<b>(54,798)</b>	<b>46,645</b>	<b>(15,131)</b>	<b>23,384</b>	<b>0</b>	<b>100</b>
Excess (Deficiency) of Revenues						
and Other Sources Over Expenditure						
Disbursement and Other Uses	422,311	18,413	(15,131)	(301,272)	(2,295)	122,026
Increase/Decrease in Inventory	(835)	0	0	0	0	(835)
Beginning Fund Balance, as restated	1,729,985	45,060	15,131	633,126	2,295	2,425,597
Ending Fund Balance	\$ 2,151,461	63,473	0	331,854	0	\$ 2,546,788

See Accompanying Notes to the General Purpose Financial Statements

**Jefferson Area Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental and Expendable Trust Fund Types**  
**Year Ended June 30, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 4,458,584	4,457,626	(958)	0	0	\$ 0
Tuition	52,108	52,490	382	0	0	0
Earnings on Investment	64,100	66,219	2,119	0	0	0
Extracurricular Activities	0	0	0	87,850	86,154	(1,696)
Miscellaneous	28,000	29,284	1,284	0	0	0
Local Unrestricted Grants-in-Aid	8,348,890	8,351,907	3,017	10,852	10,852	0
Local Restricted Grants-in-Aid	278,774	278,774	0	122,684	122,684	0
State Restricted Grants-in-Aid	8,300	8,392	92	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	340,768	328,417	(12,351)
<b>Total Revenue</b>	<b>13,238,756</b>	<b>13,244,692</b>	<b>5,936</b>	<b>562,154</b>	<b>548,107</b>	<b>(14,047)</b>
Expenditures:						
Regular Instruction	6,715,036	6,485,817	229,219	126,909	95,013	31,896
Special Instruction	989,967	986,533	3,434	254,813	266,834	(12,021)
Vocational Instruction	179,295	175,846	3,449	0	0	0
Support Services-Pupils	1,043,604	998,792	44,812	43,670	43,150	520
Support Services-Instructional Staff	141,916	97,089	44,827	68,585	59,336	9,249
Support Services-Board of Education	10,702	10,470	232	0	0	0
Support Services-Administration	889,114	856,033	33,081	9,254	7,873	1,381
Fiscal Services	420,471	420,283	188	10,325	4,703	5,622
Support Services-Business	10,220	10,263	(43)	0	0	0
Operational & Maintenance-Plant	1,222,266	1,159,758	62,508	0	0	0
Support Services-Transportation	896,308	831,318	64,990	0	0	0
Support Services-Central	823,300	820,810	2,490	0	0	0
Food Service Operations	43,945	36,410	7,535	0	0	0
Community Services	0	0	0	73,844	65,807	8,037
Academic & Subject Oriented	13,909	13,745	164	0	0	0
Occupation Oriented	0	0	0	0	0	0
Sports Oriented	271,619	265,255	6,364	58,013	46,829	11,184
Co-Curricular activities	0	0	0	3,100	2,668	432
Building Improvement	18,000	18,000	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>13,689,672</b>	<b>13,186,422</b>	<b>503,250</b>	<b>648,513</b>	<b>592,213</b>	<b>56,300</b>
Excess of Revenue Over (Under) Expenditures	(450,916)	58,270	509,186	(86,359)	(44,106)	42,253
Other Financing Sources (Uses)						
Sale & Loss of Assets	100	100	0	0	0	0
Transfers-In	22,692	22,714	22	20,249	46,645	26,396
Advances-In	54,713	54,713	0	0	0	0
Refund of Prior Years Expenditures	6,075	6,077	2	0	0	0
Transfers-Out	(79,000)	(77,612)	1,388	0	0	0
Advances-Out	(86,500)	(86,298)	202	(854)	(854)	0
Refund of Prior Years Receipts	0	(6)	(6)	(528)	(528)	0
<b>Total Other Sources (Uses)</b>	<b>(81,920)</b>	<b>(80,312)</b>	<b>1,608</b>	<b>18,867</b>	<b>45,263</b>	<b>26,396</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(532,836)	(22,042)	510,794	(67,492)	1,157	68,649
Beginning Fund Balance, as restated	896,539	896,539	--	78,237	78,237	--
Prior Year Carry Over Encumbrances	154,754	154,754	--	7,872	7,872	--
<b>Ending Fund Balance</b>	<b>\$ 518,457</b>	<b>1,029,251</b>	<b>510,794</b>	<b>18,617</b>	<b>87,266</b>	<b>\$ 68,649</b>

(Continued)

**Jefferson Area Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental and Expendable Trust Fund Types - Continued**  
**Year Ended June 30, 2002**

	Debt Service Funds			Capital Project Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 66,389	66,389	0	456,713	458,197	\$ 1,484
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Unrestricted Grants-in-Aid	0	0	0	47,712	47,957	245
Local Restricted Grants-in-Aid	0	0	0	97,745	106,445	8,700
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	66,389	66,389	0	602,170	612,599	10,429
Expenditures:						
Regular Instruction	0	0	0	266,038	204,608	61,430
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	29,550	9,676	19,874
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Fiscal Services	0	0	0	9,843	9,658	185
Support Services-Business	0	0	0	0	0	0
Operational & Maintenance-Plant	0	0	0	217,135	213,174	3,961
Support Services-Transportation	0	0	0	113,116	110,690	2,426
Support Services-Central	0	0	0	0	0	0
Food Service Operations	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular activities	0	0	0	0	0	0
Building Improvement	0	0	0	323,085	323,085	0
Repayment of Debt	66,389	66,389	0	0	0	0
Total Expenditures	66,389	66,389	0	958,767	870,891	87,876
Excess of Revenue Over (Under) Expenditures	0	0	0	(356,597)	(258,292)	98,305
Other Financing Sources (Uses)						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	33,007	33,007	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	(15,131)	(15,131)	0	(9,623)	(9,623)	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	(4,500)	(4,500)	0
Total Other Sources (Uses)	(15,131)	(15,131)	0	18,884	18,884	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(15,131)	(15,131)	0	(337,713)	(239,408)	98,305
Beginning Fund Balance, as restated	15,131	15,131	--	282,744	282,744	--
Prior Year Carry Over Encumbrances	0	0	--	104,512	104,512	--
Ending Fund Balance	\$ 0	0	0	49,543	147,848	\$ 98,305

(Continued)

**Jefferson Area Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual (Non-GAAP Basis)**  
**All Governmental and Expendable Trust Fund Types - Continued**  
**Year Ended June 30, 2002**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	4,981,686	4,982,212	\$ 526
Tuition	0	0	0	52,108	52,490	382
Earnings on Investment	0	0	0	64,100	66,219	2,119
Extracurricular Activities	0	0	0	87,850	86,154	(1,696)
Miscellaneous	30	30	0	28,030	29,314	1,284
Local Unrestricted Grants-in-Aid	0	0	0	8,407,454	8,410,716	3,262
Local Restricted Grants-in-Aid	0	0	0	499,203	507,903	8,700
State Restricted Grants-in-Aid	0	0	0	8,300	8,392	92
Federal Restricted Grants-in-Aid	0	0	0	340,768	328,417	(12,351)
<b>Total Revenue</b>	<b>30</b>	<b>30</b>	<b>0</b>	<b>14,469,499</b>	<b>14,471,817</b>	<b>2,318</b>
Expenditures:						
Regular Instruction	2,120	2,120	0	7,110,103	6,787,558	322,545
Special Instruction	0	0	0	1,244,780	1,253,367	(8,587)
Vocational Instruction	0	0	0	179,295	175,846	3,449
Support Services-Pupils	0	0	0	1,087,274	1,041,942	45,332
Support Services-Instructional Staff	0	0	0	240,051	166,101	73,950
Support Services-Board of Education	0	0	0	10,702	10,470	232
Support Services-Administration	0	0	0	898,368	863,906	34,462
Fiscal Services	0	0	0	440,639	434,644	5,995
Support Services-Business	0	0	0	10,220	10,263	(43)
Operational & Maintenance-Plant	0	0	0	1,439,401	1,372,932	66,469
Support Services-Transportation	0	0	0	1,009,424	942,008	67,416
Support Services-Central	0	0	0	823,300	820,810	2,490
Food Service Operations	0	0	0	43,945	36,410	7,535
Community Services	0	0	0	73,844	65,807	8,037
Academic & Subject Oriented	0	0	0	13,909	13,745	164
Occupation Oriented	205	205	0	205	205	0
Sports Oriented	0	0	0	329,632	312,084	17,548
Co-Curricular activities	0	0	0	3,100	2,668	432
Building Improvement	0	0	0	341,085	341,085	0
Repayment of Debt	0	0	0	66,389	66,389	0
<b>Total Expenditures</b>	<b>2,325</b>	<b>2,325</b>	<b>0</b>	<b>15,365,666</b>	<b>14,718,240</b>	<b>647,426</b>
Excess of Revenue Over (Under) Expenditures	(2,295)	(2,295)	0	(896,167)	(246,423)	649,744
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	100	100	0
Transfers-In	0	0	0	75,948	102,366	26,418
Advances-In	0	0	0	54,713	54,713	0
Refund of Prior Years Expenditures	0	0	0	6,075	6,077	2
Transfers-Out	0	0	0	(103,754)	(102,366)	1,388
Advances-Out	0	0	0	(87,354)	(87,152)	202
Refund of Prior Year Receipts	0	0	0	(5,028)	(5,034)	(6)
<b>Total Other Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(59,300)</b>	<b>(31,296)</b>	<b>28,004</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,295)	(2,295)	0	(955,467)	(277,719)	677,748
Beginning Fund Balance	2,295	2,295	--	1,274,946	1,274,946	--
Prior Year Carry Over Encumbrances	0	0	--	267,138	267,138	--
Ending Fund Balance	\$ 0	0	0	586,617	1,264,365	\$ 677,748

See Accompanying Notes to the General Purpose Financial Statements

**Jefferson Area Local School District**  
**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings**  
**All Proprietary Fund Types and Non-Expendable Trust Funds**  
**Year Ended June 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
<b>Operating Revenues:</b>				
Food Service	\$ 271,339	0	0	\$ 271,339
Classroom Materials & Fees	26,308	0	0	26,308
Miscellaneous	0	8,459	0	8,459
Total Operating Revenue	297,647	8,459	0	306,106
<b>Operating Expenses:</b>				
Personal Services - Salary	156,055	0	0	156,055
Employee Benefits	109,080	0	0	109,080
Purchased Services	17,281	0	0	17,281
Supplies and Materials	201,736	8,251	0	209,987
Depreciation	4,579	0	0	4,579
Total Operating Expenses	488,731	8,251	0	496,982
Operating Income (Loss)	(191,084)	208	0	(190,876)
<b>Non-Operating Revenues:</b>				
Earnings On Investments	0	0	579	579
Loss on Disposal of Assets	(7,645)	0	0	(7,645)
State Restricted Grants-In-Aid	10,602	0	0	10,602
Federal Unrestricted Grants-in-Aid	125,804	0	0	125,804
Federal Restricted Grants-In-Aid	35,335	0	0	35,335
Total Non-Operating Revenues	164,096	0	579	164,675
Net Income (Loss)	(26,988)	208	579	(26,201)
Beginning Retained Earnings	(31,458)	1,373	11,215	(18,870)
Retained Earnings at End of Year	<u>\$ (58,446)</u>	<u>1,581</u>	<u>11,794</u>	<u>\$ (45,071)</u>

See Accompanying Notes to General Purpose Financial Statements

**Jefferson Area Local School District**  
**Combined Statement of Cash Flows**  
**All Proprietary and Non-Expendable Trust Fund Types**  
**Year Ended June 30, 2002**

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Gain (Loss)	\$ (191,084)	208	0	\$ (190,876)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	4,579	0	0	4,579
Net (Increase) Decrease in Assets:				
Accounts Receivable	72	0	0	72
Inventory	23,559	0	0	23,559
Net Increases (Decreases) in Liabilities:				
Intergovernmental Payable	(603)	0	0	(603)
Accounts Payable	847	0	0	847
Accrued Wages and Benefits	1,379	0	0	1,379
Compensated Absences	(1,689)	0	0	(1,689)
Total Adjustments	28,144	0	0	28,144
Net Cash Used in Operating Activities	(162,940)	208	0	(162,732)
Cash Flows from Investing Activities:				
Earnings on Investments	0	0	579	579
Cash Flows from Non-Capital Activities:				
Inter-fund advances	32,439	0	0	32,439
Operating Grants from State Sources	10,595	0	0	10,595
Operating Grants from Federal Sources	125,249	0	0	125,249
Net Cash Provided by Noncapital Financing Sources	168,283	0	579	168,862
Cash Flows from Capital Financing Activities:				
Acquisition of Capital Assets	(8,677)	0	0	(8,677)
Net Cash Provided by Capital Financing Activities	(8,677)	0	0	(8,677)
Net Increase/Decrease in Cash & Cash Equivalents	(3,334)	208	579	(2,547)
Cash and Cash Equivalents at Beginning of Year	13,122	1,373	11,215	25,710
Cash and Cash Equivalents at End of Year	\$ 9,788	1,581	11,794	\$ 23,163

See Accompanying Notes to General Purpose Financial Statements

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2001, was 2,201. The District employed 124 certified employees and 98 non-certificated employees. The District is supervised by the Ashtabula County Educational Service Center, a separate entity.

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

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

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

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

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

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

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

**B. Fund Accounting**

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

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

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

Governmental Fund Types

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

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

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

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

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



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

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

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

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

Account Groups

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

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

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. 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 fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e. expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

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

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

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, rentals and grants.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002 that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

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

**D. Budget and Budgetary Accounting**

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

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20th of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at its regular board meeting in January.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the Official Certificate of Estimated Resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

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

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

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

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

**E. Cash and Cash Equivalents**

Cash received by the District is pooled in a central bank account with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents." In accordance with GASB No. 3 and No. 9, the District had no investments at June 30, 2002.

Under existing Ohio statutes all interest earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. For the District, interest revenue is credited to the General Fund, Expendable and Non-Expendable Trust Funds. Interest revenue credited to the General Fund during the fiscal year amounted to \$66,219; total interest income earned in fiscal year 2002 totaled \$66,798.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**F. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 2002. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

**G. Inventories**

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

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

**I. Fixed Assets**

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

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

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**J. Short-Term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables. At June 30, 2002, the District had no "Due to/from Other Funds" and \$86,298 in "Interfund Receivables/Payables."

**K. Advances to Other Funds**

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2002 the District had no long-term interfund loans.

**L. Compensated Absences**

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

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

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**M. Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriate for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2002, the District had \$7,100 in contributed capital.

**N. Long-Term Obligations**

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

**O. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

**Q. Estimates**

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**R. Fund Balance Reserves**

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

**S. Memorandum Only - Total Columns**

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

**Note 2. Budgetary Basis of Accounting**

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

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

	General Fund	Special Revenue	Capital Project
GAAP Basis	\$ 422,311	18,413	\$ (301,272)
Increase (Decrease):			
Due to Revenues:			
Net Adjustments to Revenue Accruals	(287,727)	1,731	151,240
Due to Expenditures:			
Net Adjustments to Expenditure Accruals	(131,112)	(17,605)	(84,876)
Due to Other Sources/Uses	(25,514)	(1,382)	(4,500)
Budget Basis	<u>\$ (22,042)</u>	<u>1,157</u>	<u>\$ (239,408)</u>



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 3. Accountability and Compliance**

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

**Note 4. Cash and Investments**

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

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

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

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

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

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 4. Cash and Investments (continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$1,614,304 and the bank balance was \$1,760,266, of which \$130,631 was covered by federal depository insurance. \$1,629,635 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**Investments:** GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, requires the District's investments 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 are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent, but not in the name of the District.

	3	Carrying Value	Fair Value
Repurchase Agreement	\$ 193,704	\$ 193,704	\$ 193,704

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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JUNE 30, 2002**

**Note 4. Cash and Investments (continued)**

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

A reconciliation between the classification of cash and cash equivalents on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments	
GASB Statement No. 9	\$ 1,808,008	\$	0
Investments:			
Repurchase Agreement	(193,704)		193,704
GASB Statement No. 3	\$ 1,614,304	\$	193,704

**Note 5. Property Tax**

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2002; an update will be done in 2005. The next revaluation is scheduled for 2008. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is usually due February 14, with the remainder payable June 20.

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

Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28. Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**Note 5. Property Tax (continued)**

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

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$45.47 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 19,176,580
Real Property-Residential/Agricultural	131,239,580
Real Property-Public Utilities	91,940
Personal Property-General	17,931,440
Personal Property-Public Utilities	10,404,030
Total Assessed Value	<u>\$ 178,843,570</u>

**Note 6. Receivables**

Receivables at June 30, 2002 consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
CAFS Reimbursement	\$ 884
Total General Fund	<u>884</u>
Enterprise Funds:	
State Reimbursements	6
Federal Reimbursements	23,629
Total Proprietary Funds	<u>23,635</u>
Grand Total	<u><u>\$ 24,519</u></u>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 7. Fixed Assets**

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002:

Furniture and Equipment	\$ 130,688
Less Accumulated Depreciation	<u>(104,289)</u>
Net Fixed Assets	<u><u>\$ 26,399</u></u>

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

Equipment	8-20 years
Furniture	20 years
Vehicles	10 years

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land and Improvements	\$ 1,167,115	28,882	0	\$ 1,195,997
Buildings	6,548,222	8,263	0	6,556,485
Furniture and Equipment	2,867,913	491,047	270,276	3,088,684
Vehicles	1,295,986	150,207	76,800	1,369,393
Total General Fixed Assets	<u><u>\$ 11,879,236</u></u>	<u><u>678,399</u></u>	<u><u>347,076</u></u>	<u><u>\$ 12,210,559</u></u>

There was no significant construction in progress at June 30, 2002.

**Note 8. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 8. Defined Benefit Pension Plans (continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$287,280, \$273,216 and \$252,696, respectively; 43.67 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$185,300 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$890,016, \$841,296 and \$786,504, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$148,337 represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**Note 9. Postemployment Benefits**

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 9. Postemployment Benefits (continued)**

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$286,077 for fiscal year 2002.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$216,900.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

**Note 10. Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The Superintendent is granted 20 days vacation per year and the Treasurer is granted 15 days vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 10. Compensated Absences (continued)**

The classified personnel accumulate vacation based on the following schedule:

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

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

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for certified employees is unlimited; classified employees, 300.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up 81 days for certified and 75 days for classified.

**Note 11. Risk Management**

**A. General Risk**

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate. The District also provides umbrella liability insurance in the amount of \$3,000,000 for each occurrence and \$3,000,000 in the aggregate.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$29,813,772 and \$125,000 in equipment breakdown coverage.

**B. Workers' Compensation**

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



**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 11. Risk Management (continued)**

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

C. Health Insurance

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

**Note 12. Interfund Transactions**

At June 30, 2002, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

Interfund Receivables/Payables:

	Receivables	Payables
General Fund	\$ 86,298	\$ 0
Enterprise Fund	0	86,298
	\$ 86,298	\$ 86,298

**Note 13. Notes and Long-Term Debt**

A summary of changes in long-term obligations for the year ended June 30, 2002, are as follows:

	Balance			Balance
	July 1, 2001	Additions	Deletions	June 30, 2002
Intergovernmental Payable	\$ 109,519	126,940	109,519	\$ 126,940
Notes Payable	578,300	0	41,276	537,024
Leases Payable	315,000	0	315,000	0
Compensated Absences Payable	1,185,337	1,228,302	1,185,337	1,228,302
	\$ 2,188,156	1,355,242	1,651,132	\$ 1,892,266

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
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**Note 13. Notes and Long-Term Debt (continued)**

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt, the District's unvoted debt limit is \$178,844. The voted debt limit at June 30, 2002 is \$16,095,921.

Asbestos Notes:

Under the Asbestos Schools Hazard Abatement Act of 1984, the District received a loan of \$202,876 to assist in an asbestos removal project. The repayment schedule for the loan portion is \$5,638 every six months, with the first payment made in June 1991 and the final amount due December 2008.

The annual maturities of the general obligation notes as of June 30, 2002, are as follows:

	Principal
FY2003	\$ 11,276
FY2004	11,276
FY2005	11,276
FY2006 & Thereafter	<u>28,196</u>
	<u>\$ 62,024</u>

Energy Conservation Notes:

The District issued Energy Conservation Notes in the amount of \$600,000 on March 3, 1998. The notes mature in December 2012 and have an average interest rate of 5.125%. The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY2003	\$ 35,000	23,446	\$ 58,446
FY2004	35,000	21,653	56,653
FY2005	35,000	19,859	54,859
FY2006 & Thereafter	<u>370,000</u>	<u>80,203</u>	<u>450,203</u>
	<u>\$ 475,000</u>	<u>145,161</u>	<u>\$ 620,161</u>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 13. Notes and Long-Term Debt (continued)**

Building Lease/Purchase:

With the passage of a 3-mill permanent improvement levy in November, 1996, the District implemented a building additions project for the Rock Creek and Jefferson Elementary buildings. To finance the project, the District entered into a building lease/purchase program in April, 1998 with Huntington National Bank, in the amount of \$1,025,000 at an average rate of 5.15%. At the conclusion of the building project, the District made lease payments to Huntington National Bank, from the 3-mill levy proceeds, over a period of four fiscal years. This lease obligation met the criteria of a capital lease as defined by Financial Accounting Standards Board Statement No. 13, *Accounting for Leases*, and has been recorded in the general long-term obligations account group. The final payment was made during fiscal year 2002. The building additions are wholly owned by the District.

**Note 14. Segments of Enterprise Activities**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 271,339	\$ 26,308	\$ 297,647
Operating Expenses:			
Depreciation	(4,579)	0	(4,579)
Other Expenses	(454,651)	(29,501)	(484,152)
Total Operating Expenses	<u>(459,230)</u>	<u>(29,501)</u>	<u>(488,731)</u>
Operating Income (Loss)	(187,891)	(3,193)	(191,084)
Non Operating Revenues and Expenses:			
Operating Grants	171,741	0	171,741
Loss on Disposal of Assets	(7,645)	0	(7,645)
Net Income (Loss)	<u>\$ (23,795)</u>	<u>\$ (3,193)</u>	<u>\$ (26,988)</u>
Net Working Capital	<u>\$ (86,615)</u>	<u>\$ 8,871</u>	<u>\$ (77,744)</u>
Total Assets	<u>\$ 70,838</u>	<u>\$ 8,871</u>	<u>\$ 79,709</u>
Total Contributed Capital	<u>\$ 7,100</u>	<u>\$ 0</u>	<u>\$ 7,100</u>
Total Fund Equity	<u>\$ (60,217)</u>	<u>\$ 8,871</u>	<u>\$ (51,346)</u>

**Note 15. Jointly Governed Organizations**

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**Note 15. Jointly Governed Organizations (continued)**

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Schools Council of Governments

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

Ashtabula County Joint Vocational School District

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

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

**Note 16. School Funding Decision**

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

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

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

**Note 17. Contingencies**

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
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**Note 17. Contingencies (continued)**

B. Litigation

The District is not a party to any legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending at June 30, 2002.

**Note 18. Other Related Party Transactions**

The District is liable for the Rock Creek Sewer Assessment; this liability is taken directly from tax proceeds by the Ashtabula County Auditor. The assessment was issued in 1989 and matures in 2014. The balance at June 30, 2002 was \$16,560.

**Note 19. Statutory Reserves**

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

Effective April 10, 2001, the District is no longer required to maintain a budget stabilization reserve. However, restrictions have been placed on the disposition of any balances remaining in the previously required budget reserve.

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

During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook	Capital Acquisition	Budget Stabilization	Total
Set-Aside Cash Balance, 6/30/01	\$ (79,034)	\$ 0	\$ 58,038	\$ (20,996)
Required Set Aside	262,721	262,721	0	525,442
Offset Credits	(60,054)	(398,143)	0	(458,197)
Qualifying Disbursements	(194,401)	(182,302)	(56,116)	(432,819)
Total	<u>\$ (70,768)</u>	<u>\$ (317,724)</u>	<u>\$ 1,922</u>	<u>\$ (386,570)</u>
Balance Carried Forward to FY2003	<u>\$ (70,768)</u>	<u>\$ 0</u>	<u>\$ 1,922</u>	<u>\$ (68,846)</u>
Total Restricted Assets	<u>_____</u>	<u>_____</u>	<u>\$ 1,922</u>	<u>_____</u>

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

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**Note 20. Fund Deficits**

Fund balances/Retained earnings at June 30, 2002, included the following individual fund deficits:

Food Service	\$ (60,217)
Title I	\$ (31,217)

These deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate them. The general fund is liable for any deficit in the funds and provides operating transfers when cash is required, not when accruals occur.

**Note 21. Restatement of Fund Balances**

Beginning in the fiscal year 2002, the District changed its reporting of the IDL Fund from a Special Revenue fund type to a Capital Project fund type. As a result, a restatement of beginning fund balances at July 1, 2001, has been made to the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances and the Budget and Actual (Non-GAAP Basis) Statement. The net effect on the beginning fund balances of these fund types is a decrease of \$6,500 to the Special Revenue Funds and an increase of \$6,500 to the Capital Projects Funds.

JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$25,666		\$22,514
National School Breakfast Program	05-PU-2001 05-PU-2002	10.553	\$7,495 <u>12,738</u>		\$7,495 <u>12,738</u>	
Subtotal - National Breakfast Program			<u>20,233</u>		<u>20,233</u>	
National School Lunch Program	LL-P1-2001 LL-P4-2001 LL-P4-2002	10.555	16,159 20,079 <u>68,778</u>		16,159 20,079 <u>68,778</u>	
Subtotal - National School Lunch Program			<u>105,016</u>		<u>105,016</u>	
Total Department of Agriculture - Nutrition Cluster			125,249	25,666	125,249	22,514
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001 C1-S1-2002	84.010	0 <u>213,713</u>		5,773 <u>213,713</u>	
Subtotal - Grants to Local Educational Agencies			213,713		219,486	
Safe and Drug Free Schools	DR-S1-2002	84.186	8,878		8,878	
Eisenhower Professional Development State Grants	MS-S1-2001 MS-S1-2002	84.281	0 <u>10,896</u>		8 <u>10,821</u>	
Subtotal - Eisenhower Professional Development State Grants			10,896		10,829	
Innovative Educational Program Strategies	C2-S1-2000 C2-S1-2001 C2-S1-2002	84.298	(527) 2,937 <u>11,594</u>		1,413 11,114 <u>0</u>	
Subtotal - Innovative Educational Program Strategies			14,004		12,527	
Class Size Reduction	CR-S1-2000 CR-S1-2001 CR-S1-2002	84.340	0 15,489 <u>41,036</u>		4,431 15,819 <u>21,871</u>	
Subtotal - Class Size Reduction			56,525		42,121	
<i>Passed Through Ashtabula County Joint Vocational School:</i>						
Vocational Education - Basic Grants to States		84.048	2,357		2,357	
Total Department of Education			306,373		296,198	
<b>UNITED STATES DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>						
<i>Passed Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medicaid Cluster: Medical Assistance Program - Title XIX - Community Alternative Funding System		93.778	8,392		8,392	
<b>OFFICE OF LIBRARY SERVICES, INSTITUTE OF MUSEUM AND LIBRARY SERVICES, NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</b>						
<i>Passed through the State Library of Ohio:</i>						
Library Services and Technology Act (LSTA) Mini Grant		45.310	13,925		13,925	
<b>Totals</b>			<u><b>\$453,939</b></u>	<u><b>\$25,666</b></u>	<u><b>\$443,764</b></u>	<u><b>\$22,514</b></u>

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

**JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2002**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B -- FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local receipts. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - MATCHING REQUIREMENTS**

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





## **Auditor of State Betty Montgomery**

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

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

We have audited the financial statements of the Jefferson Area Local School District, Ashtabula County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated February 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be deducted within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 12, 2003.

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

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.

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

**Betty Montgomery**  
Auditor of State

February 12, 2003



## Auditor of State Betty Montgomery

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

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

#### Compliance

We have audited the compliance of the Jefferson Area Local School District, Ashtabula 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 its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

#### 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.

Jefferson Area Local School District  
Ashtabula County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Major Federal Programs and Internal  
Control Over Compliance in Accordance with OMB Circular A-133  
Page 2

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

This report is intended for the information and use of 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.

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

**Betty Montgomery**  
Auditor of State

February 12, 2003

JEFFERSON AREA LOCAL SCHOOL DISTRICT  
ASHTABULA COUNTY  
JUNE 30, 2002

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505

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

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**JEFFERSON AREA LOCAL SCHOOL DISTRICT**

**ASHTABULA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2003**