



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General-Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups	3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Similar Fiduciary Fund Type	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types and Similar Fiduciary Fund Type	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types and Similar Fiduciary Fund Type	9
Combined Statement of Changes in Cash Flows - All Proprietary Fund Types And Similar Fiduciary Fund Type	10
Notes to the General Purpose Financial Statements.....	11
Report of Independent Accountants on Compliance and on Internal Control Required By <i>Government Auditing Standards</i>	35
Schedule of Prior Audit Findings.....	37

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying general-purpose financial statements of the Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 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 Local School District, Madison County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2002 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

December 2, 2002

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

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special	Debt	Capital	Enterprise	Internal	Trust and	General	General	(Memorandum)
		Revenue	Service	Projects		Service	Agency	Fixed Assets	Long Term	(Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 2,378,359	154,613	0	245,703	33,712	187,521	375,370	0	0	\$ 3,375,278
Restricted Cash	75,000	0	0	0	0	0	0	0	0	75,000
Taxes Receivable	3,766,071	0	0	303,853	0	0	0	0	0	4,069,924
Due from Other Funds	0	0	0	0	0	0	3,982	0	0	3,982
Intergovernmental Receivable	0	6,904	0	0	10,651	0	0	0	0	17,555
Accounts Receivable	2,332	157	0	0	0	0	9	0	0	2,489
Supplies Inventory	16,100	0	0	0	467	0	0	0	0	16,567
Inventory for Resale	0	0	0	0	1,364	0	0	0	0	1,364
Property, Plant & Equipment	0	0	0	0	133,050	0	0	7,932,675	0	8,065,725
Accumulated Depreciation, where applicable	0	0	0	0	(79,766)	0	0	0	0	(79,766)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	1,127,980	1,127,980
Total Assets and Other Debits	\$ 6,237,862	161,674	0	549,556	99,478	187,521	379,352	7,932,675	1,127,980	\$ 16,676,098

(Continued)

**Jefferson 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	(Memorandum)
		Revenue	Service	Projects		Service		Agency	Fixed Assets	
Liabilities:										
Due to Other Funds	\$ 3,711	164	0	0	107	0	0	0	0	\$ 3,982
Intergovernmental Payables	112,663	2,319	0	0	10,937	0	41,082	0	65,205	232,206
Accounts Payable	152,499	29,075	0	10,290	2,226	0	1,005	0	0	195,095
Accrued Salaries and Benefits	569,835	24,434	0	0	18,407	0	0	0	0	612,676
Deferred Revenue	2,180,842	0	0	188,386	0	0	0	0	0	2,369,228
Claims Payable	0	0	0	0	0	45,208	0	0	0	45,208
Due to Others	0	0	0	0	0	0	41,707	0	0	41,707
General Obligations Payable	0	0	0	0	0	0	0	0	20,672	20,672
Capital Leases Payable	0	0	0	0	0	0	0	0	16,166	16,166
Compensated Absences Payable	15,451	0	0	0	34,253	0	0	0	1,025,937	1,075,641
Total Liabilities	3,035,001	55,992	0	198,676	65,930	45,208	83,794	0	1,127,980	4,612,581
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,932,675	0	7,932,675
Contributed Capital	0	0	0	0	31,304	0	0	0	0	31,304
Retained Earnings	0	0	0	0	2,244	142,313	0	0	0	144,557
Fund Balances:										
Reserved for Contributions	0	0	0	0	0	0	187,207	0	0	187,207
Reserved for Supplies Inventory	16,100	0	0	0	0	0	0	0	0	16,100
Reserved for Encumbrances	30,674	10,577	0	133,234	0	0	0	0	0	174,485
Reserved for Budget Stabilization	75,000	0	0	0	0	0	0	0	0	75,000
Reserved for Future Appropriation	1,331,943	0	0	115,467	0	0	0	0	0	1,447,410
Unreserved Fund Balance	1,749,144	95,105	0	102,179	0	0	108,351	0	0	2,054,779
Total Fund Equity	3,202,861	105,682	0	350,880	0	0	295,558	0	0	3,954,981
Total Fund Balances/Retained Earnings and Other Credits	3,202,861	105,682	0	350,880	33,548	142,313	295,558	7,932,675	0	12,063,517
Total Liabilities, Fund Equity, and Other Credits	\$ 6,237,862	161,674	0	549,556	99,478	187,521	379,352	7,932,675	1,127,980	\$ 16,676,098

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance
All Governmental Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2002

	Governmental Fund Types			Fiduciary	Totals (Memorandum (Only))	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
REVENUES:						
Revenue from Local Sources						
Taxes	\$ 3,966,626	0	0	299,421	0	\$ 4,266,047
Tuition	186,844	0	0	0	0	186,844
Earnings on Investments	83,512	0	0	0	1,967	85,479
Extracurricular Activities	0	195,058	0	0	0	195,058
Miscellaneous	2,383	3,200	0	0	9,760	15,343
Local Restricted Grants-in- Aid	0	10,500	0	0	0	10,500
State Unrestricted Grants-in-Aid	4,050,757	0	0	31,446	0	4,082,203
State Restricted Grants-in-Aid	143,726	66,632	0	50,000	0	260,358
Federal Restricted Grants-in-Aid	0	250,491	0	0	0	250,491
Total Revenue	8,433,848	525,881	0	380,867	11,727	9,352,323
EXPENDITURES:						
Current:						
Instruction						
Regular	3,339,268	147,701	0	127,066	4,560	3,618,595
Special	721,605	183,374	0	5,246	0	910,225
Vocational/Other	61,759	0	0	0	0	61,759
Supporting Services						
Pupils	254,802	14,817	0	206,769	0	476,388
Instructional Staff	207,017	33,356	0	0	0	240,373
Board of Education	23,579	0	0	0	0	23,579
Administration	779,000	0	0	7,367	0	786,367
Fiscal Services	293,863	0	0	0	0	293,863
Business	26,499	0	0	0	0	26,499
Operation & Maintenance-Plant	782,123	0	0	1,126	0	783,249
Pupil Transportation	372,883	0	0	0	0	372,883
Central	149,351	18,020	0	12,000	0	179,371
Operation of Non-Instructional Services						
Food Service Operations	0	57	0	5,915	0	5,972
Extracurricular Activities						
Academic & Subject Oriented	60,738	2,431	0	0	0	63,169
Sports Oriented	103,671	87,128	0	0	0	190,799
Co-Curricular Activities	0	4,629	0	0	0	4,629
Capital Outlay						
Site Improvement & Architecture	13,120	0	0	13,699	0	26,819
Building Improvement	0	0	0	36,470	0	36,470
Other Facilities Acquisition & Construction	0	0	0	6,223	0	6,223
Debt Service						
Repayment of Debt	0	0	8,268	0	0	8,268
Total Expenditures	7,189,278	491,513	8,268	421,881	4,560	8,115,500
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	1,244,570	34,368	(8,268)	(41,014)	7,167	1,236,823
Other Financing Sources and Uses:						
Transfers-In	0	0	8,268	0	0	8,268
Refund of Prior Years Expenditures	1,084	328	0	0	0	1,412
Transfers-Out	(174,988)	0	(2,180)	0	0	(177,168)
Refund of Prior Years Receipts	0	(527)	0	0	0	(527)
Net Other Financing Sources and Uses	(173,904)	(199)	6,088	0	0	(168,015)
Excess (Deficiency) of Revenues						
and Other Sources Over Expenditure	1,070,666	34,169	(2,180)	(41,014)	7,167	1,068,808
Disbursement and Other Uses	1,070,666	34,169	(2,180)	(41,014)	7,167	1,068,808
Increase (Decrease) in Inventory	7,092	0	0	0	0	7,092
Beginning Fund Balance	2,125,103	71,513	2,180	391,894	67,913	2,658,603
Ending Fund Balance	\$ 3,202,861	105,682	0	350,880	75,080	\$ 3,734,503

See Accompanying Notes to the General Purpose Financial Statements

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

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 3,291,000	3,877,256	586,256	0	0	\$ 0
Tuition	62,500	186,844	124,344	0	0	0
Earnings on Investment	130,200	83,847	(46,353)	0	0	0
Extracurricular Activities	0	0	0	220,503	195,048	(25,455)
Miscellaneous	10,000	1,648	(8,352)	7,666	3,200	(4,466)
Local Restricted Grants-in-Aid	0	0	0	0	10,500	10,500
State Unrestricted Grants-in-Aid	3,977,500	4,050,757	73,257	0	0	0
State Restricted Grants-in-Aid	74,000	143,726	69,726	66,954	66,632	(322)
Federal Restricted Grants-in-Aid	0	0	0	246,190	243,587	(2,603)
Total Revenue	7,545,200	8,344,078	798,878	541,313	518,967	(22,346)
Expenditures:						
Regular Instruction	3,455,105	3,363,952	91,153	204,407	149,532	54,875
Special Instruction	761,673	723,460	38,213	198,500	180,507	17,993
Vocational Instruction	68,802	67,859	943	0	0	0
Other Instruction	1,200	1,160	40	0	0	0
Support Services-Pupils	285,135	262,421	22,714	16,332	14,682	1,650
Support Services-Instructional Staff	235,136	219,001	16,135	51,687	35,744	15,943
Support Services-Board of Education	40,883	26,679	14,204	0	0	0
Support Services-Administration	782,565	761,383	21,182	0	0	0
Support Services-Fiscal	299,043	293,362	5,681	0	0	0
Support Services-Business	32,313	29,329	2,984	0	0	0
Operation & Maintenance-Plant	885,906	762,089	123,817	0	0	0
Support Services-Transportation	511,312	381,140	130,172	0	0	0
Support Services-Central	151,954	151,335	619	30,500	18,020	12,480
Food Service Operations	87	27	60	140	57	83
Academic & Subject Oriented	69,081	62,789	6,292	8,580	3,400	5,180
Sports Oriented	111,490	101,882	9,608	95,765	88,375	7,390
Co-Curricular Activities	0	0	0	8,301	4,965	3,336
Site Improvement & Architecture	0	0	0	0	0	0
Architecture & Engineering	18,706	15,800	2,906	0	0	0
Building Improvement	0	0	0	0	0	0
Other Facilities Acq. & Construction	0	0	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	7,710,391	7,223,668	486,723	614,212	495,282	118,930
Excess of Revenue Over (Under) Expenditures	(165,191)	1,120,410	1,285,601	(72,899)	23,685	96,584
Other Financing Sources (Uses):						
Sale & Loss of Assets	1,000	0	(1,000)	0	0	0
Transfers-In	0	0	0	0	0	0
Refund of Prior Year Expenditures	100	1,084	984	0	328	328
Transfers-Out	(175,000)	(174,988)	12	0	0	0
Refund of Prior Year Receipts	0	0	0	(436)	(436)	0
Total Other Sources (Uses)	(173,900)	(173,904)	(4)	(436)	(108)	328
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(339,091)	946,506	1,285,597	(73,335)	23,577	96,912
Beginning Fund Balance	1,170,603	1,170,603	0	82,539	82,539	0
Prior Year Carry Over Encumbrances	215,504	215,504	0	11,126	11,126	0
Ending Fund Balance	\$ 1,047,016	2,332,613	1,285,597	20,330	117,242	\$ 96,912

(Continued)

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

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	296,000	304,761	\$ 8,761
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Local Restricted Grants-In-Aid	0	0	0	0	0	0
State Unrestricted Grants-in-Aid	0	0	0	31,000	31,446	446
State Restricted Grants-in-Aid	0	0	0	57,500	50,000	(7,500)
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	0	0	0	384,500	386,207	1,707
Expenditures:						
Regular Instruction	0	0	0	236,491	219,643	16,848
Special Instruction	0	0	0	5,554	5,246	308
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	212,150	211,769	381
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	7,367	7,367	0
Support Services-Fiscal	0	0	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	1,296	1,126	170
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	12,000	12,000	0
Food Services Operations	0	0	0	9,000	8,650	350
Academic & Subject Oriented	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement & Architecture	0	0	0	19,063	14,749	4,314
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	0	0	0	78,338	76,229	2,109
Other Facilities Acq. & Construction	0	0	0	7,046	6,223	823
Repayment of Debt	8,268	8,268	0	0	0	0
Total Expenditures	8,268	8,268	0	588,305	563,002	25,303
Excess of Revenue Over (Under) Expenditures	(8,268)	(8,268)	0	(203,805)	(176,795)	27,010
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	8,516	8,268	(248)	0	0	0
Refund of Prior Year Expenditures	0	0	0	0	0	0
Transfers-Out	(2,180)	(2,180)	0	0	0	0
Refund of Prior Year Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	6,336	6,088	(248)	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,932)	(2,180)	(248)	(203,805)	(176,795)	27,010
Beginning Fund Balance	2,180	2,180	0	245,566	245,566	0
Prior Year Carry Over Encumbrances	0	0	0	33,459	33,459	0
Ending Fund Balance	\$ 248	0	(248)	75,220	102,230	\$ 27,010

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

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,587,000	4,182,017	\$ 595,017
Tuition	0	0	0	62,500	186,844	124,344
Earnings on Investment	3,060	1,967	(1,093)	133,260	85,814	(47,446)
Extracurricular Activities	0	0	0	220,503	195,048	(25,455)
Miscellaneous	4,200	9,760	5,560	21,866	14,608	(7,258)
Local Restricted Grants-in-Aid	0	0	0	0	10,500	10,500
State Unrestricted Grants-in-Aid	0	0	0	4,008,500	4,082,203	73,703
State Restricted Grants-in-Aid	0	0	0	198,454	260,358	61,904
Federal Unrestricted Grants-in-Aid	0	0	0	246,190	243,587	(2,603)
Total Revenue	7,260	11,727	4,467	8,478,273	9,260,979	782,706
Expenditures:						
Regular Instruction	11,250	4,460	6,790	3,907,253	3,737,587	169,666
Special Instruction	0	0	0	965,727	909,213	56,514
Vocational Instruction	0	0	0	68,802	67,859	943
Other Instruction	0	0	0	1,200	1,160	40
Support Services-Pupils	0	0	0	513,617	488,872	24,745
Support Services-Instructional Staff	0	0	0	286,823	254,745	32,078
Support Services-Board of Education	0	0	0	40,883	26,679	14,204
Support Services-Administration	0	0	0	789,932	768,750	21,182
Support Services-Fiscal	0	0	0	299,043	293,362	5,681
Support Services-Business	0	0	0	32,313	29,329	2,984
Operation & Maintenance-Plant	0	0	0	887,202	763,215	123,987
Support Services-Transportation	0	0	0	511,312	381,140	130,172
Support Services-Central	0	0	0	194,454	181,355	13,099
Food Services Operations	0	0	0	9,227	8,734	493
Academic & Subject Oriented	0	0	0	77,661	66,189	11,472
Sports Oriented	0	0	0	207,255	190,257	16,998
Co-Curricular Activities	0	0	0	8,301	4,965	3,336
Site Improvement & Architecture	0	0	0	19,063	14,749	4,314
Architecture & Engineering	0	0	0	18,706	15,800	2,906
Building Improvement	0	0	0	78,338	76,229	2,109
Other Facilities Acq & Construction	0	0	0	7,046	6,223	823
Repayment of Debt	0	0	0	8,268	8,268	0
Total Expenditures	11,250	4,460	6,790	8,932,426	8,294,680	637,746
Excess of Revenue Over (Under) Expenditures	(3,990)	7,267	11,257	(454,153)	966,299	1,420,452
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	1,000	0	(1,000)
Transfers-In	0	0	0	8,516	8,268	(248)
Refund of Prior Year Expenditures	0	0	0	100	1,412	1,312
Transfers-Out	0	0	0	(177,180)	(177,168)	12
Refund of Prior Year Receipts	0	0	0	(436)	(436)	0
Total Other Sources (Uses)	0	0	0	(168,000)	(167,924)	76
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,990)	7,267	11,257	(622,153)	798,375	1,420,528
Beginning Fund Balance	67,713	67,713	0	1,568,601	1,568,601	0
Prior Year Carry Over Encumbrances	400	400	0	260,489	260,489	0
Ending Fund Balance	\$ 64,123	75,380	11,257	1,206,937	2,627,465	\$ 1,420,528

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$ 264,420	0	0	\$ 264,420
Earnings on Investments	386	0	8,965	9,351
Classroom Materials & Fees	43,047	0	0	43,047
Charges for Services	0	437,012	0	437,012
Total Operating Revenue	<u>307,853</u>	<u>437,012</u>	<u>8,965</u>	<u>753,830</u>
Operating Expenses:				
Personal Services - Salary	158,847	0	0	158,847
Employee Benefits	29,669	0	0	29,669
Purchased Services	14,519	97,895	0	112,414
Supplies and Materials	246,393	0	0	246,393
Insurance Expenses	0	517,843	0	517,843
Miscellaneous	0	0	9,442	9,442
Depreciation	2,574	0	0	2,574
Total Operating Expenses	<u>452,002</u>	<u>615,738</u>	<u>9,442</u>	<u>1,077,182</u>
Operating Loss	(144,149)	(178,726)	(477)	(323,352)
Non-Operating Revenues:				
Miscellaneous	50	0	1,000	1,050
State Grants-In-Aid	589	0	0	589
Federal Grants-In-Aid	106,965	0	0	106,965
Total Non-Operating Revenues	<u>107,604</u>	<u>0</u>	<u>1,000</u>	<u>108,604</u>
Net Income (Loss) before Transfers	(36,545)	(178,726)	523	(214,748)
Transfers In:				
Transfers	23,900	145,000	0	168,900
Net Income (Loss)	(12,645)	(33,726)	523	(45,848)
Beginning Retained Earnings	<u>14,889</u>	<u>176,039</u>	<u>219,955</u>	<u>410,883</u>
Retained Earnings at End of Year	<u>\$ 2,244</u>	<u>142,313</u>	<u>220,478</u>	<u>\$ 365,035</u>

See Accompanying Notes to the General Purpose Financial Statements

Jefferson Local School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Similar Fiduciary Fund Type
Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Loss	\$ (144,149)	(178,726)	(477)	\$ (323,352)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Commodities	22,045	0	0	22,045
Depreciation	2,574	0	0	2,574
Net (Increase) Decrease in Assets:				
Intergovernmental Receivable	(996)	0	0	(996)
Inventory	4,500	0	0	4,500
Net Increases (Decreases) in Liabilities:				
Accounts Payable	2,172	0	0	2,172
Intergovernmental Payable	(7,521)	0	0	(7,521)
Due to Other Funds	(109)	0	0	(109)
Deferred Revenue	(4,053)	0	0	(4,053)
Claims Payable	0	976	0	976
Accrued Wages and Benefits	1,488	0	0	1,488
Compensated Absences	14,007	0	0	14,007
Total Adjustments	34,107	976	0	35,083
Net Cash Used in Operating Activities	(110,042)	(177,750)	(477)	(288,269)
Cash Flows from Noncapital Activities:				
Earnings on Investments	386	0	0	386
Grants from State Sources	589	0	0	589
Grants from Federal Sources	80,189	0	0	80,189
Other Sources	50	0	1,000	1,050
Transfers In	23,900	145,000	0	168,900
Net Cash Provided by Noncapital Financing Sources	105,115	145,000	1,000	251,115
Net Increase (Decrease) in Cash & Cash Equivalents	(4,927)	(32,750)	523	(37,154)
Cash and Cash Equivalents at Beginning of Year	38,639	220,271	219,955	478,865
Cash and Cash Equivalents at End of Year	<u>\$ 33,712</u>	<u>187,521</u>	<u>220,478</u>	<u>\$ 441,711</u>

See Accompanying Notes to the General Purpose Financial Statements

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 2001, was 1,247. The District employed 82 certified employees and 49 non-certificated employees. The District is supervised by the Madison County Educational Service Center, a separate entity.

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

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

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

B. Fund Accounting

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

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

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

Governmental Fund Types

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

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 LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

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 LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

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, all assets and all liabilities associated with the operations 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 type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The District has elected under GASB No. 20, to apply Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989 except those that conflict with a GASB pronouncement.

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for 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 specified 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.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is an decrease 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 governmental funds.

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

D. Budget and Budgetary Accounting

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

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 budget basis of accounting.

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

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

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. During fiscal year 2002, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and certificates of deposit.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

Under existing Ohio statutes all investments earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. All investment earnings accrue to the General Fund, Scholarship Funds and the Enterprise Fund as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$94,830. General Fund interest posted in fiscal year 2002, totaled \$85,479 of which \$46,614 was assigned to the General Fund by other funds.

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

F. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 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 (first-in, first-out) or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Supplies inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 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--Governmental Funds

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and capitalized at cost (or estimated historical cost for assets for which cost is not available) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the date received. General fixed assets are not depreciated. The District maintains a capitalization threshold of five hundred dollars for general fixed assets. The District does not possess any infrastructure.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

J. Fixed Assets--Proprietary Funds

Fixed assets used by proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction where applicable. Depreciation is provided using the straight-line method over estimated useful lives ranging from 25 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 3 to 10 years for equipment.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2002, the District had no Interfund Receivables/Payables and \$3,982 in Due to/from Other Funds.

L. Advances to Other Funds

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

M. Compensated Absences

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

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. Fund Balance Reserves

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

Q. Restricted Assets

Restricted assets in the General Fund represent cash set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

R. Estimates

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies (continued)

S. Memorandum Only - Total Columns

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

Note 2. Cash and Investments

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 2. Cash and Investments (continued)

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

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$2,991,608 and the bank balance was \$3,073,195. Of the bank balance, \$200,000 was covered by Federal Depository Insurance Corporation (FDIC), and the remaining \$2,873,195 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, non compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 2. Cash and Investments (continued)

	Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	0	302,627	302,627	\$ 302,627
STAR Ohio	0	0	0	156,043	156,043
Total Investments			\$ 302,627	<u>\$ 458,670</u>	<u>\$ 458,670</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 3,450,278	\$ 0
Investments:		
Repurchase Agreement	(302,627)	302,627
STAR Ohio	(156,043)	156,043
GASB Statement No. 3	<u>\$ 2,991,608</u>	<u>\$ 458,670</u>

Note 3. Property Tax

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 3. Property Tax (continued)

Amounts paid by multi-county taxpayers may be paid annually or semi-annually; the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

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

The full tax rate at the fiscal year ended June 30, 2002 for operations was \$32.20 per \$1,000 of assessed valuation and \$3.00 per \$1,000 of assessed valuation for permanent improvements.

The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 20,313,370
Real Property-Residential/Agricultural	82,580,380
Personal Property-General	<u>23,259,890</u>
Total Assessed Value	<u>\$ 126,153,640</u>

Note 4. Income Tax

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 5. 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 Intergovernmental Receivables at June 30, 2002 is as follows:

Special Revenue Funds:

Title I	\$ 1,743
Title II	1,027
Title VI-b	1,440
Title VI-R	<u>2,694</u>
Total Special Revenue Funds	6,904

Proprietary Funds:

Lunchroom Federal Reimbursements	<u>10,651</u>
Total Proprietary Funds	<u>\$ 10,651</u>
Total Intergovernmental Receivables	<u><u>\$ 17,555</u></u>

Note 6. Health Self-Insurance

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 6. Health Self-Insurance (continued)

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$45,208 at June 30, 2002. A summary of changes in self-insurance claims for the year ended June 30, 2002 follows:

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

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

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The 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 \$184,224, \$167,784 and \$148,740, respectively; 46 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$103,101 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 7. Defined Benefit Pension Plans (continued)

B. State Teachers Retirement System

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

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. For fiscal year 2000 (the latest information available), 6 percent was 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 \$500,256, \$523,584 and \$464,520, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$83,377 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

Note 8. Postemployment Benefits

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

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, 2001 (the latest information available), the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$160,797 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 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.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 8. Postemployment Benefits (continued)

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 5.46 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 \$125,803.

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 9. Compensated Absences

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

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

<u>Years Service</u>	<u>Vacation Days</u>
2-5	10
6-10	12
11-15	18
16-20	20
21	21
22	22
23	23
24	24
25	25
26	26
27	27
28	28
29	29
30-Beyond	30

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 9. Compensated Absences (continued)

Each employee earns sick leave at the rate of one and one-half days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for classified employees is 225 days and for certified employees, 265 days.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to sixty days.

For certified employees, retirement severance is also paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on the following; an employee who has zero years through nine years of service will receive twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement; employees who have ten through nineteen years of service shall qualify for thirty percent of their accumulated current sick leave upon retirement.

Employees with twenty or more years of service will receive thirty-five percent of earned sick leave upon retirement from the District. All percentages will be calculated on a maximum of 265 days.

Note 10. Interfund Transactions

At June 30, 2002, the District had short-term interfund loans which are classified as "interfund receivables/payables." Receivables and payables resulting from goods provided or services rendered are classified as "due from/to other funds." An analysis of interfund balances is as follows:

	Due To Other Funds	Due From Other Funds
General Fund	\$ 3,711	\$ 0
Special Revenue Fund	164	0
Enterprise Fund	107	0
Agency Fund	0	3,982
	\$ 3,982	\$ 3,982

The worker's compensation rate for the District is applied to the accrued salary amounts (listed under the liability section of the "Combined Balance Sheet") as of June 30, 2002. The resulting dollar amount, \$3,982, which is due to the Bureau of Worker's Compensation, is also recognized as a liability on the "Combined Balance Sheet," as "Due To" the District's Worker's Compensation Agency Fund. This fund serves as a "holding" account until the total premium amount due is remitted to the Bureau of Worker's Compensation each year during the month of May. At June 30, 2002, there was a cash balance of \$37,100 in the Worker's Compensation Agency Fund.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 11. Contingencies

A. Grants

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

B. Litigation

The District is a defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter will not have a material effect on the District's financial statements.

Note 12. Long-Term Debt

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

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Intergovernmental Payable	\$ 59,775	65,205	59,775	\$ 65,205
General Obligations Payable	28,940	0	8,268	20,672
Capital Leases Payable	19,983	0	3,817	16,166
Compensated Absences Payable	1,001,247	1,025,937	1,001,247	1,025,937
	<u>\$ 1,109,945</u>	<u>1,091,142</u>	<u>1,073,107</u>	<u>\$ 1,127,980</u>

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

Payment for the installment purchase obligations (Asbestos loan and SMART project loan) as of June 30, 2002, and related interest:

	Payment
FY 2003	\$ 8,268
FY 2004	8,268
FY 2005	4,136
	<u>\$ 20,672</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 12. Long-Term Debt (continued)

Capital Leases: In January, 2001, the District entered into a capital lease agreement for a copier, in the amount of \$21,494 for 60 months at a rate of 7.21 percent. A summary of the payment schedule for the remainder of the agreement, including related interest, follows:

	Principal	Interest	Payment
FY 2003	\$ 4,101	1,032	\$ 5,133
FY 2004	4,407	726	5,133
FY 2005	4,735	398	5,133
FY 2006	2,923	71	2,994
Total	<u>\$ 16,166</u>	<u>2,227</u>	<u>\$ 18,393</u>

Note 13. Jointly Governed Organizations

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 14. Budgetary Basis of Accounting

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

	Governmental Fund Types				Fiduciary Fund Type
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
	\$	\$	\$	\$	\$
GAAP Basis	1,070,666	34,169	(2,180)	(41,014)	7,167
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	(89,770)	(6,914)	0	5,340	0
Due to Expenditures:					
Net Adjustments to	(34,390)	(3,769)	0	(141,121)	100
Due to Other Sources/Uses	0	91	0	0	0
Budget Basis	<u>946,506</u>	<u>23,577</u>	<u>(2,180)</u>	<u>(176,795)</u>	<u>7,267</u>

Note 15. Fixed Assets

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	\$ 617,005	1,041	0	\$ 618,046
Buildings	3,520,038	3,000	0	3,523,038
Furniture and Equipment	2,916,565	245,792	51,692	3,110,665
Vehicles	608,926	113,280	41,280	680,926
Total General Fixed Assets	<u>\$ 7,662,534</u>	<u>363,113</u>	<u>92,972</u>	<u>\$ 7,932,675</u>

The District had no significant construction in progress at June 30, 2002.

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 15. Fixed Assets (continued)

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

Furniture and Equipment	\$ 111,881
Vehicles	21,169
Less Accumulated Depreciation	<u>(79,766)</u>
Net Fixed Assets	<u><u>\$ 53,284</u></u>

Note 16. 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 Supplies Fund	Latchkey Fund	Total
Operating Revenues	\$ 264,806	43,047	0	\$ 307,853
Operating Expenses:				
Depreciation	(2,574)	0	0	(2,574)
Other Expenses	<u>(397,775)</u>	<u>(43,115)</u>	<u>(8,538)</u>	<u>(449,428)</u>
Total Operating Expenses	<u>(400,349)</u>	<u>(43,115)</u>	<u>(8,538)</u>	<u>(452,002)</u>
Operating Loss	(135,543)	(68)	(8,538)	(144,149)
Non Operating Revenues and				
Operating Grants	107,554	0	0	107,554
Miscellaneous	0	50	0	50
Transfers In/Out	<u>23,900</u>	<u>0</u>	<u>0</u>	<u>23,900</u>
Net Income (Loss)	<u>\$ (4,089)</u>	<u>(18)</u>	<u>(8,538)</u>	<u>\$ (12,645)</u>
Net Working Capital	<u>\$ (23,544)</u>	<u>3,710</u>	<u>98</u>	<u>\$ (19,736)</u>
Total Assets	<u>\$ 93,520</u>	<u>5,861</u>	<u>97</u>	<u>\$ 99,478</u>
Contributed Capital	<u>\$ 31,304</u>	<u>0</u>	<u>0</u>	<u>\$ 31,304</u>
Total Retained Earnings	<u>\$ (1,564)</u>	<u>3,710</u>	<u>98</u>	<u>\$ 2,244</u>

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 17. Risk Management

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate.

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

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

B. Workers' Compensation

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2002**

Note 18. School Funding Decision

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

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

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

Note 19. Fund Deficits

Fund balances at June 30, 2002, included the following individual fund deficit:

Title I \$ (4,733)

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

Note 20. Statutory Reserves

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Acquisition	Capital Acquisition	Budget Stabilization	Total
Set aside Cash Balance as of June 30, 2001	\$ 0	\$ 0	\$ 75,000	\$ 75,000
Current Year Set-Aside Requirement	178,395	178,395	0	356,790
Current Year Offsets	0	0	0	0
Qualifying Disbursements	(178,395)	(178,395)	0	(356,790)
Total	<u>0</u>	<u>0</u>	<u>75,000</u>	<u>75,000</u>
Cash Balance Carried Forward to FY2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 75,000</u>	
Amount Restricted for Budget Stabilization				<u>\$ 75,000</u>
Total Restricted Assets				<u>\$ 75,000</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the general-purpose financial statements of the Jefferson Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 2, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 2, 2002.

Jefferson Local School District
Madison 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 management and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

JIM PETRO
Auditor of State

December 2, 2002

**JEFFERSON LOCAL SCHOOL DISTRICT
MADISON COUNTY**

JUNE 30, 2002

SCHEDULE OF PRIOR AUDIT FINDING

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10649-001	Latchkey Receipts	Yes	Finding No Longer Valid. District relinquished control over its latchkey program to the Madison-Champaign Educational Service Center as of July 1, 2001.



STATE OF OHIO
OFFICE OF THE AUDITOR

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JEFFERSON LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**