

**JEFFERSON LOCAL SCHOOL DISTRICT  
MADISON COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



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

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**STATE OF OHIO**

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STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

We have audited the accompanying general-purpose financial statements of the Jefferson Local School District, Madison County, Ohio (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson Local School District, Madison County, Ohio as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



JIM PETRO  
Auditor of State

January 13, 2000

Jefferson Local School District

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 1999**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types		Account Groups		Totals
	General	Special Revenue	Capital Projects	Internal Service	Enterprise	Trust and Agency	Fixed Assets	General	Long Term Debt	1999		
										General	Long Term Debt	(Memorandum Only)
Assets and Other Debits:												
Equity in Pooled Cash and Investments	\$ 318,335	108,318	259,700	115,195	21,558	334,491	0	0	0	0	\$	1,157,597
Restricted Cash	87,365	0	0	0	0	0	0	0	0	0		87,365
Taxes Receivable	2,891,360	0	176,768	0	0	0	0	0	0	0		3,068,128
Due from Other Funds	34,738	0	0	0	0	2,887	0	0	0	0		37,625
Intergovernmental Receivable	3,500	3,262	0	10,149	0	0	0	0	0	0		16,911
Accounts Receivable	4,078	693	0	2,865	0	59	0	0	0	0		7,695
Supplies Inventory	11,587	0	0	889	0	0	0	0	0	0		12,476
Inventory for Resale	0	0	0	4,900	0	0	0	0	0	0		4,900
Property, Plant & Equipment	0	0	0	151,421	0	0	7,186,870	0	0	0		7,338,291
Accumulated Depreciation, where applicable	0	0	0	(82,441)	0	0	0	0	0	0		(82,441)
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	0	943,026		943,026
<b>Total Assets and Other Debits</b>	<b>\$ 3,350,963</b>	<b>112,273</b>	<b>436,468</b>	<b>115,195</b>	<b>109,341</b>	<b>337,437</b>	<b>7,186,870</b>	<b>943,026</b>	<b>\$</b>	<b>12,591,573</b>		

See Accompanying Notes to the General Purpose Financial Statements.

(Continued)

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS, Continued  
JUNE 30, 1999**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups		Totals
	General	Special Revenue	Capital Projects	0	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long Term	General	Memorandum Only	1999
<b>Liabilities:</b>													
Due to Other Funds	\$ 2,751	47	0	34,827	0	0	0	0	0	0	0	0	\$ 37,625
Intergovernmental Payable	105,754	1,302	0	19,651	0	0	29,377	0	0	48,432	0	0	204,516
Accounts Payable	42,619	6,767	0	3,582	0	0	367	0	0	0	0	0	53,335
Accrued Salaries and Benefits	540,096	11,322	0	20,439	0	0	0	0	0	0	0	0	571,857
Deferred Revenue	1,716,999	0	125,189	3,566	0	0	0	0	0	0	0	0	1,845,754
Claims Payable	0	0	0	0	46,652	0	0	0	0	0	0	0	46,652
Due to Others	0	0	0	0	0	0	35,240	0	0	0	0	0	35,240
General Obligations Payable	0	0	0	0	0	0	0	0	0	69,457	0	0	69,457
Compensated Absences Payable	61,333	0	0	13,156	0	0	0	0	0	825,137	0	0	899,626
<b>Total Liabilities</b>	<b>2,469,552</b>	<b>19,438</b>	<b>125,189</b>	<b>95,221</b>	<b>46,652</b>	<b>64,984</b>	<b>64,984</b>	<b>0</b>	<b>943,026</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,764,062</b>
<b>Fund Equity and Other Credits:</b>													
Investment in General Fixed Assets	0	0	0	0	0	0	0	7,186,870	0	0	0	0	7,186,870
Contributed Capital	0	0	0	31,304	0	0	0	0	0	0	0	0	31,304
Retained Earnings	0	0	0	(17,184)	68,543	0	0	0	0	0	0	0	51,359
<b>Fund Balances:</b>													
Reserved for Contributions	0	0	0	0	0	0	187,207	0	0	0	0	0	187,207
Reserved for Supplies Inventory	11,587	0	0	0	0	0	0	0	0	0	0	0	11,587
Reserved for Encumbrances	93,429	4,231	245,567	0	0	415	0	0	0	0	0	0	343,642
Reserved for Budget Stabilization	87,365	0	0	0	0	0	0	0	0	0	0	0	87,365
Reserved for Future Appropriation	932,751	0	48,579	0	0	0	0	0	0	0	0	0	981,330
Unreserved Fund Balance	(243,721)	88,604	17,133	0	0	84,831	0	0	0	0	0	0	(53,153)
<b>Total Fund Equity</b>	<b>881,411</b>	<b>92,835</b>	<b>311,279</b>	<b>0</b>	<b>0</b>	<b>272,453</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,370,771</b>
<b>Total Fund Balances/Retained Earnings and Other Credits</b>	<b>881,411</b>	<b>92,835</b>	<b>311,279</b>	<b>14,120</b>	<b>68,543</b>	<b>272,453</b>	<b>272,453</b>	<b>7,186,870</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,827,511</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 3,350,963</b>	<b>112,273</b>	<b>436,468</b>	<b>109,341</b>	<b>115,195</b>	<b>337,437</b>	<b>337,437</b>	<b>7,186,870</b>	<b>943,026</b>	<b>\$</b>	<b>12,591,573</b>	<b>\$</b>	<b>12,591,573</b>

See Accompanying Notes to the General Purpose Financial Statements.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types				Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>REVENUES:</b>						
Revenue from Local Sources						
Taxes	\$ 3,172,270	0	0	173,598	0	\$ 3,345,868
Tuition	13,651	0	0	0	0	13,651
Earnings on Investments	81,533	0	0	0	2,657	84,190
Extracurricular Activities	0	180,524	0	0	5,276	185,800
Miscellaneous	15,084	2,100	0	57,501	6,597	81,282
Revenue from State Sources						
Unrestricted Grants-in-Aid	3,553,675	500	0	18,372	0	3,572,547
Restricted Grants-in-Aid	14,498	43,950	0	0	0	58,448
Revenue from Federal Sources						
Restricted Grants-in-Aid	528	124,603	0	0	0	125,131
<b>Total Revenue</b>	<b>6,851,239</b>	<b>351,677</b>	<b>0</b>	<b>249,471</b>	<b>14,530</b>	<b>7,466,917</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
<b>Instruction</b>						
Regular	3,009,448	25,294	0	16,066	2,658	3,053,466
Special	110,221	74,759	0	0	0	184,980
Vocational/Other	96,606	2,160	0	0	0	98,766
<b>Supporting Services</b>						
Pupils	252,388	36,851	0	0	0	289,239
Instructional Staff	889,697	1,140	0	0	0	890,837
Board of Education	28,057	0	0	0	0	28,057
Administration	746,475	0	0	4,348	0	750,823
Fiscal Services	247,017	0	4,756	0	0	251,773
Business	28,771	2,263	0	0	0	31,034
Operation & Maintenance-Plant	757,600	0	0	0	0	757,600
Pupil Transportation	273,960	0	0	0	0	273,960
Central	108,341	5,000	0	0	0	113,341
<b>Operation of Non-Instructional Services</b>						
Community Services	163	200	0	0	0	363
<b>Extracurricular Activities</b>						
Academic & Subject Orientated	58,552	0	0	0	0	58,552
Sports Oriented	95,619	85,612	0	0	0	181,231
Co-Curricular Activities	0	99,364	0	0	6,309	105,673
<b>Capital Outlay</b>						
Site Improvement & Architecture	22,915	0	0	23,206	0	46,121
Building Acquisition & Construction	23,034	0	0	24,282	0	47,316
Building Improvement	93,782	0	0	33,748	0	127,530
<b>Debt Service</b>						
Repayment of Debt	0	0	21,349	0	0	21,349
<b>Total Expenditures</b>	<b>6,842,646</b>	<b>332,643</b>	<b>26,105</b>	<b>101,650</b>	<b>8,967</b>	<b>7,312,011</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>8,593</b>	<b>19,034</b>	<b>(26,105)</b>	<b>147,821</b>	<b>5,563</b>	<b>154,906</b>
<b>Other Financing Sources and Uses:</b>						
Gain on Sale of Assets	71,885	0	0	0	0	71,885
Transfers-In	0	3,412	21,349	0	0	24,761
Other Sources	415	0	0	15,490	0	15,905
Transfer-Out	(51,349)	0	0	0	(3,412)	(54,761)
<b>Net Other Financing Sources and Uses</b>	<b>20,951</b>	<b>3,412</b>	<b>21,349</b>	<b>15,490</b>	<b>(3,412)</b>	<b>57,790</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditure</b>						
Disbursement and Other Uses	29,544	22,446	(4,756)	163,311	2,151	212,696
Increase in Inventory	415	0	0	0	0	415
<b>Beginning Fund Balance</b>	<b>851,452</b>	<b>70,389</b>	<b>4,756</b>	<b>147,968</b>	<b>55,572</b>	<b>1,130,137</b>
<b>Ending Fund Balance</b>	<b>\$ 881,411</b>	<b>92,835</b>	<b>0</b>	<b>311,279</b>	<b>57,723</b>	<b>\$ 1,343,248</b>

See Accompanying Notes to the General Purpose Financial Statements

**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, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 2,538,925	2,638,649	99,724	0	0	\$ 0
Tuition	12,400	13,651	1,251	0	0	0
Earnings on Investment	81,500	79,021	(2,479)	0	0	0
Extracurricular Activities	0	0	0	166,700	180,164	13,464
Miscellaneous	14,900	15,150	250	1,200	2,100	900
State Unrestricted Grants-in-Aid	3,537,251	3,550,175	12,924	0	500	500
State Restricted Grants-in-Aid	14,500	14,498	(2)	38,900	43,950	5,050
Federal Restricted Grants-in-Aid	500	528	28	89,373	121,341	31,968
<b>Total Revenue</b>	<b>6,199,976</b>	<b>6,311,672</b>	<b>111,696</b>	<b>296,173</b>	<b>348,055</b>	<b>51,882</b>
<b>Expenditures:</b>						
Regular Instruction	3,090,861	3,038,992	51,869	62,033	34,762	27,271
Special Instruction	114,590	111,953	2,637	79,808	70,188	9,620
Vocational Instruction	96,929	95,660	1,269	0	0	0
Other Instruction	0	0	0	4,160	2,160	2,000
Support Services-Pupils	245,129	237,208	7,921	39,095	35,810	3,285
Support Services-Instructional Staff	906,581	890,180	16,401	1,140	1,140	0
Support Services-Board of Education	28,667	26,245	2,422	0	0	0
Support Services-Administration	755,191	742,631	12,560	0	0	0
Support Services-Fiscal	241,562	241,471	91	0	0	0
Support Services-Business	38,853	36,057	2,796	2,640	2,263	377
Operation & Maintenance-Plant	766,098	753,619	12,479	0	0	0
Support Services-Transportation	283,433	285,722	(2,289)	0	0	0
Support Services-Central	137,852	132,317	5,535	21,524	5,000	16,524
Community Services	169	163	6	200	200	0
Academic & Subject Oriented	60,510	58,746	1,764	0	0	0
Sports Oriented	100,870	96,610	4,260	102,151	88,576	13,575
Co-Curricular Activities	0	0	0	105,886	100,333	5,553
Site Improvement & Architecture	95,897	94,235	1,662	0	0	0
Building Acquisition & Construction	103,114	103,019	95	0	0	0
Building Improvement	11,631	11,631	0	0	0	0
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>7,077,937</b>	<b>6,956,459</b>	<b>121,478</b>	<b>418,637</b>	<b>340,432</b>	<b>78,205</b>
Excess of Revenue Over (Under) Expenditures	(877,961)	(644,787)	233,174	(122,464)	7,623	130,087
<b>Other Financing Sources (Uses):</b>						
Sale & Loss of Assets	70,500	70,879	379	0	0	0
Proceeds from Sale of Notes	600,000	600,000	0	0	0	0
Transfer-In	0	0	0	0	3,412	3,412
Refund of Prior Year Expense	0	0	0	0	0	0
Transfer-Out	(51,349)	(51,349)	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>619,151</b>	<b>619,530</b>	<b>379</b>	<b>0</b>	<b>3,412</b>	<b>3,412</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(258,810)	(25,257)	233,553	(122,464)	11,035	133,499
Beginning Fund Balance	200,785	200,785	0	64,112	64,112	0
Prior Year Carry Over Encumbrances	129,053	129,053	0	23,687	23,687	0
<b>Ending Fund Balance</b>	<b>\$ 71,028</b>	<b>\$ 304,581</b>	<b>\$ 233,553</b>	<b>(34,665)</b>	<b>\$ 98,834</b>	<b>\$ 133,499</b>

(Continued)

**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, 1999**

	Debt Service Funds			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 624,182	624,182	0	187,000	189,409	\$ 2,409
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	48,000	57,501	9,501
State Unrestricted Grants-in-Aid	0	0	0	18,000	18,372	372
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
<b>Total Revenue</b>	<b>624,182</b>	<b>624,182</b>	<b>0</b>	<b>253,000</b>	<b>265,282</b>	<b>12,282</b>
Expenditures:						
Regular Instruction	0	0	0	16,091	16,066	25
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	4,400	4,348	52
Support Services-Fiscal	4,756	4,756	0	0	0	0
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	535	0	535
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
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	268,610	268,174	436
Building Acquisition & Construction	0	0	0	35,471	34,945	526
Building Improvement	0	0	0	24,300	24,282	18
Repayment of Debt	645,531	645,531	0	0	0	0
<b>Total Expenditures</b>	<b>650,287</b>	<b>650,287</b>	<b>0</b>	<b>349,407</b>	<b>347,815</b>	<b>1,592</b>
Excess of Revenue Over (Under) Expenditures	(26,105)	(26,105)	0	(96,407)	(82,533)	13,874
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfer-In	21,349	21,349	0	0	0	0
Refund of Prior Year Expense	0	0	0	15,500	15,490	(10)
Transfer-Out	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>21,349</b>	<b>21,349</b>	<b>0</b>	<b>15,500</b>	<b>15,490</b>	<b>(10)</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,756)	(4,756)	0	(80,907)	(67,043)	13,864
Beginning Fund Balance	4,756	4,756	0	71,826	71,826	0
Prior Year Carry Over Encumbrances	0	0	0	9,351	9,351	0
<b>Ending Fund Balance</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 270</b>	<b>\$ 14,134</b>	<b>\$ 13,864</b>

(Continued)



**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, 1999**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	3,350,107	3,452,240	\$ 102,133
Tuition	0	0	0	12,400	13,651	1,251
Earnings on Investment	2,450	2,657	207	83,950	81,678	(2,272)
Extracurricular Activities	7,850	5,276	(2,574)	174,550	185,440	10,890
Miscellaneous	9,900	6,597	(3,303)	74,000	81,348	7,348
State Unrestricted Grants-in-Aid	0	0	0	3,555,251	3,569,047	13,796
State Restricted Grants-in-Aid	0	0	0	53,400	58,448	5,048
Federal Unrestricted Grants-in-Aid	0	0	0	89,873	121,869	31,996
Total Revenue	20,200	14,530	(5,670)	7,393,531	7,563,721	170,190
Expenditures:						
Regular Instruction	63,477	3,073	60,404	3,232,462	3,092,893	139,569
Special Instruction	0	0	0	194,398	182,141	12,257
Vocational Instruction	0	0	0	96,929	95,660	1,269
Other Instruction	0	0	0	4,160	2,160	2,000
Support Services-Pupils	0	0	0	284,224	273,018	11,206
Support Services-Instructional Staff	0	0	0	907,721	891,320	16,401
Support Services-Board of Education	0	0	0	28,667	26,245	2,422
Support Services-Administration	0	0	0	759,591	746,979	12,612
Support Services-Fiscal	0	0	0	246,318	246,227	91
Support Services-Business	0	0	0	41,493	38,320	3,173
Operation & Maintenance-Plant	0	0	0	766,633	753,619	13,014
Support Services-Transportation	0	0	0	283,433	285,722	(2,289)
Support Services-Central	0	0	0	159,376	137,317	22,059
Community Services	0	0	0	369	363	6
Academic & Subject Oriented	0	0	0	60,510	58,746	1,764
Sports Oriented	0	0	0	203,021	185,186	17,835
Co-Curricular Activities	12,444	6,459	5,985	118,330	106,792	11,538
Site Improvement & Architecture	0	0	0	364,507	362,409	2,098
Building Acquisition & Construction	0	0	0	138,585	137,964	621
Building Improvement	0	0	0	35,931	35,913	18
Repayment of Debt	0	0	0	645,531	645,531	0
Total Expenditures	75,921	9,532	66,389	8,572,189	8,304,525	267,664
Excess of Revenue Over (Under) Expenditures	(55,721)	4,998	60,719	(1,178,658)	(740,804)	437,854
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	70,500	70,879	379
Proceeds from Sale of Notes	0	0	0	600,000	600,000	0
Transfer-In	0	0	0	21,349	24,761	3,412
Refund of Prior Year Expense	0	0	0	15,500	15,490	(10)
Transfer-Out	0	(3,412)	(3,412)	(51,349)	(54,761)	(3,412)
Total Other Sources (Uses)	0	(3,412)	(3,412)	656,000	656,369	369
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(55,721)	1,586	57,307	(522,658)	(84,435)	438,223
Beginning Fund Balance	54,577	54,577	0	396,056	396,056	0
Prior Year Carry Over Encumbrances	1,145	1,145	0	163,236	163,236	0
Ending Fund Balance	\$ 1	\$ 57,308	\$ 57,307	\$ 36,634	\$ 474,857	\$ 438,223

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS/FUND BALANCE  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Operating Revenues:				
Food Service	\$ 34,278	0	0	\$ 34,278
Earnings on Investments	252,813	0	10,814	263,627
Extracurricular Activities	0	355	0	355
Classroom Materials & Fees	43,514	0	0	43,514
Miscellaneous	80	0	0	80
Charges for Services	0	416,261	0	416,261
Total Operating Revenue	<u>330,685</u>	<u>416,616</u>	<u>10,814</u>	<u>758,115</u>
Operating Expenses:				
Personal Services - Salary	154,899	0	0	154,899
Employee Benefits	41,098	0	0	41,098
Purchased Services	13,687	33,811	0	47,498
Supplies and Materials	213,827	369	0	214,196
Insurance Expenses	0	398,660	0	398,660
Other Expenses	0	0	9,420	9,420
Depreciation	2,635	0	0	2,635
Total Operating Expenses	<u>426,146</u>	<u>432,840</u>	<u>9,420</u>	<u>868,406</u>
Operating Income (Loss)	(95,461)	(16,224)	1,394	(110,291)
Non-Operating Revenues:				
Sale and Loss of Assets	(576)	0	0	(576)
State Grants-In-Aid	3,627	0	0	3,627
Federal Grants-In-Aid	89,535	0	0	89,535
Total Non-Operating Revenues	<u>92,586</u>	<u>0</u>	<u>0</u>	<u>92,586</u>
Net Income (Loss) before Transfers	(2,875)	(16,224)	1,394	(17,705)
Transfers In:				
Transfers	0	30,000	0	30,000
Net Income (Loss)	(2,875)	13,776	1,394	12,295
Beginning Retained Earnings/Fund Balance	<u>(14,309)</u>	<u>54,767</u>	<u>213,336</u>	<u>253,794</u>
Retained Earnings/Fund Balance at End of Year	<u>\$ (17,184)</u>	<u>68,543</u>	<u>214,730</u>	<u>\$ 266,089</u>

See Accompanying Notes to the General Purpose Financial Statements

**COMBINED STATEMENT OF CHANGES IN CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (95,461)	(16,224)	1,394	\$ (110,291)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	2,635	0	0	2,635
Net (Increase) Decrease in Assets				
Intergovernmental Receivable	(10,149)	0	0	(10,149)
Accounts Receivable	(2,765)	0	0	(2,765)
Inventory	(139)	0	0	(139)
Net Increases (Decreases) in Liabilities:				
Accounts Payable	1,147	(14,854)	0	(13,707)
Intergovernmental Payable	10,018	0	0	10,018
Due to Other Funds	23,239	0	0	23,239
Deferred Revenue	291	0	0	291
Claims Payable	0	(47,633)	0	(47,633)
Accrued Wages and Benefits	275	0	0	275
Compensated Absences	(695)	0	0	(695)
Total Adjustments	23,857	(62,487)	0	(38,630)
Net Cash Used in Operating Activities	(71,604)	(78,711)	1,394	(148,921)
Cash Flows from Noncapital Activities:				
Grants from State Sources	3,627	0	0	3,627
Federal Commodities	16,770	0	0	16,770
Grants from Federal Sources	72,765	0	0	72,765
Transfers In	0	30,000	0	30,000
Net Cash Provided by Noncapital Financing Sources	93,162	30,000	0	123,162
Net Increase (Decrease) in Cash & Cash Equivalents	21,558	(48,711)	1,394	(25,759)
Cash and Cash Equivalents at Beginning of Year	0	163,906	213,336	377,242
Cash and Cash Equivalents at End of Year	<u>\$ 21,558</u>	<u>115,195</u>	<u>214,730</u>	<u>\$ 351,483</u>
See Accompanying Notes to the General Purpose Financial Statements				

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**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 governmental 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 Jefferson Local School 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. Jefferson Local School District is a local District as defined by Section 3311.03 of the Ohio Revised Code. The District operates under a locally-elected Board form of government consisting of 5 members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

Average daily membership (ADM) as of October 1, 1998, was 1,329. The District employed 9 administrative and supervisory personnel, 77 certified employees and 47 non-certificated employees. Jefferson Local School District is supervised by the Madison County Board of Education, a separate entity.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the district is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**A. Reporting Entity (continued)**

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

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

**B. Basis of Presentation - 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 defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group, is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories: governmental, proprietary and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period. The following are the District's governmental fund types:

General Fund - This fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred 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 major capital projects) that are legally restricted to expenditures for specific purposes.

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation - Fund Accounting (continued)**

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

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

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's 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 revenues 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 governmental units, and/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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation - Fund Accounting (continued)**

Account Groups

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

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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 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. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses 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. Under this basis, revenues are recognized in the period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, grants, interest, tuition, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. 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, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus/Basis of Accounting (continued)**

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

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

**D. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for rate determination.



**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgetary Process (continued)**

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted, however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP 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 fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Budgetary Process** (continued)

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**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 1999, investments were limited to STAR Ohio and repurchase agreements. 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 are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999.

For the District, all investment earnings accrue to the General, Scholarship, and Food Service Funds as authorized by board resolution, according to their fund balances. Interest income earned in fiscal year 1999 totaled \$95,004.

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. 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, 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.

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Restricted Assets**

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

**H. 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.

**I. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the non-allocation method. The non-allocation 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 non-allocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

**J. Inventory**

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 consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased (Purchase method) rather than when consumed. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale, and are expended when used.

**K. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in 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. Donated fixed assets are recorded at their estimated fair market value at the date received. General fixed assets are not depreciated. The District maintains a capitalization threshold of one hundred dollars for general fixed assets. The District does not have any infrastructure.

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. The District does not capitalize infrastructure.

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee; 2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources.

These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

The remainder is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

**M. Accrued Liabilities and 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 debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**N. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "interfund receivables/payables." Long-term interfund loans are classified as "due from other funds" or "due 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.

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

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. Taxes Receivable**

The financial statements reflect taxes receivable as of June 30, 1999. 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, 1999 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.

**Q. Intergovernmental Revenues**

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

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

Entitlements.

General Fund

State Foundation Program  
Homestead/Rollback Subsidy  
School Bus Purchase Allocation

Special Revenue Funds

Educational Management Information Systems

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**Q. Intergovernmental Revenues** (continued)

Non-Reimbursable Grants.

Special Revenue Funds

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

Capital Projects Funds

- School Net Funds

Reimbursable Grants.

General Fund

- Driver Education
- Tutor Reimbursement

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements amounted to approximately 50% of the District's operating revenue during the 1999 fiscal year

**R. Memorandum Only - Total Columns**

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

**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.

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 2. CASH AND INVESTMENTS** (continued)

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 2. CASH AND INVESTMENTS (continued)**

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

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

**Deposits** At fiscal year end, the carrying amount of the District's deposits was \$30,923, and the bank balance was \$109,025. Of the bank balance

All was covered by Federal Depository Insurance Corporation (FDIC)

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

	1	Category 2	3	Reported Amount	Fair Value
Repurchase Agreement	-	-	142,966	142,966	142,966
STAR Ohio				1,071,023	1,071,023
<b>Total Investments</b>			142,966	<u>\$1,213,989</u>	<u>\$1,213,989</u>

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No 9	\$1,244,962	\$ 0
Investments		
Repurchase Agreement	(142,966)	142,966
STAR Ohio	(1,071,023)	1,071,023
<b>GASB Statement No 3</b>	<u>\$30,973</u>	<u>\$1,213,989</u>



**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 3. PROPERTY TAXES**

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

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may pay annually or semi-annually, the first payment is due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding. 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, 1999 for operations was \$31 per \$1,000 of assessed valuation and \$2.00 per \$1,000 of assessed valuation for permanent improvements.

The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

Real Property-Commercial/Industrial	15,943,570
Real Property-Residential/Agricultural	64,582,440
Personal Property-General	11,448,680
Personal Property-Public Utilities	7,000,660
Total Assessed Value	<b>\$98,975,350</b>

**NOTE 4. INCOME TAXES**

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  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 5. RECEIVABLES**

Receivables at June 30, 1999 consisted of property and income 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 fiscal year guarantee of federal funds.

**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 administrator.

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 \$46,652 at June 30, 1999. A summary of changes in self-insurance claims for the year ended June 30, 1999 follows:

	FY1999	FY1998
Claim Liabilities at June 30	\$94,285	\$48,624
Incurred Claims	357,004	373,754
Claims Paid	(404,637)	(328,093)
Claim Liabilities at June 30	\$46,652	\$94,285

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 7. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$473,016, \$446,772, and \$405,072, respectively; 82.83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$81,200 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

**B. 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 State statute per 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, 45 N. Fourth Street, Columbus, Ohio 43215.

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 rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent 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 amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$140,574, \$131,874, \$124,704, respectively; 41.89 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$90,162 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 8. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retirees and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation 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.

Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 3.5 percent. For the District, this amount equaled \$118,254 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. 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 1999, the minimum pay has been established at \$12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million (the latest information available). SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$64,588, during the 1999 fiscal year.

**JEFFERSON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 1999**

**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 unused vacation time 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:

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

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

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

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

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

**JEFFERSON LOCAL SCHOOL DISTRICT  
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
 FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 10. INTERFUND TRANSACTIONS**

At June 30, 1999, 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 From	Due To
General Fund	37,625	2,751
Special Revenue	0	47
Enterprise Funds	0	34,827
	37,625	37,625

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, 1999 The resulting dollar amount, \$2,887, 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, 1999, there was a cash balance of \$26,490 in the Worker's Compensation Agency Fund \$34,738 is an interfund loan to the Lunchroom Fund (note 20)

**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, 1999

**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, 1999

**NOTE 12. NOTES AND LONG-TERM DEBT**

On May 18, 1998, the Board of Education authorized the issuance of \$600,000 of current property tax revenue anticipation notes (TANS) to meet current cash flow requirements The notes were issued July 16, 1998, with the TANS maturing June 25, 1999, with interest payable at 4 28% The total interest expense for these notes was \$24,182

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 12. NOTES AND LONG-TERM DEBT** (continued)

A summary of changes in long-term obligations for the year ended June 30, 1999, are as follows

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$55,336	48,432	55,336	\$48,432
General Obligations Payable	90,805	0	21,348	69,457
Compensated Absences Payable	725,515	825,137	725,515	825,137
	<u>\$871,656</u>	<u>873,569</u>	<u>802,199</u>	<u>\$943,026</u>

In accordance with Ohio law, general obligation note debt service was recorded in the Debt Service Fund. NCGA Statement 1 and Interpretation 9 require that the Debt Service Fund present general obligation long-term debt principal and interest retirement only and that tax and current revenue anticipation notes payable be shown as liabilities of the funds which received the note proceeds. Accordingly, all note debt activity has been reported in the General Fund and Capital Project Funds. The budgetary basis presentation shows the notes in the Debt Service Fund.

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

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

Payment for the installment purchase obligations (Asbestos loan and SMART project loan) as of June 30, 1999

	Payment
2000	21,348
2001	19,172
2002	8,268
2003	8,268
2004	8,268
2005	4,134
	<u>\$69,458</u>

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**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 its 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.

**NOTE 14. 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 Types and Similar Fiduciary Fund Type				
	General Fund	Special Revenue	Debt Service	Capital Project	Fiduciary Fund Type Expendable Trust
GAAP Basis	\$29,544	22,446	(4,756)	163,311	2,151
Increase (Decrease)					
Due to Revenues					
Net Adjustments to Revenue Accruals	(539,567)	(3,622)	624,182	15,811	0
Due to Expenditures					
Net Adjustments to Expenditure Accruals	(113,813)	(7,789)	(624,182)	(246,165)	(565)
Due to Other Sources/Uses	598,579	0	0	0	0
Budget Basis	<u>(25,257)</u>	<u>11,035</u>	<u>(4,756)</u>	<u>(67,043)</u>	<u>1,586</u>

**NOTE 15. FIXED ASSETS**

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land and Improvements	\$211,030	0	0	\$211,030
Buildings	3,453,170	137,780	72,900	3,518,050
Furniture and Equipment	2,758,511	106,142	15,789	2,848,864
Vehicles	552,109	56,817	0	608,926
Total General Fixed Assets	<u>\$6,974,820</u>	<u>300,739</u>	<u>88,689</u>	<u>\$7,186,870</u>

The District had no significant construction in progress at June 30, 1999.

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Furniture and Equipment	130,252
Vehicles	21,169
Less Accumulated Depreciation	<u>(82,441)</u>
Net Fixed Assets	<u>\$68,980</u>



**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 16. SEGMENTS OF ENTERPRISE ACTIVITIES**

The District maintains three enterprise funds to account for the operations of the Lunchroom, Uniform School Supplies, and Latchkey Program. The table below reflects the more significant financial data relating to the enterprise funds of the District, as of fiscal year ended June 30, 1999.

	Lunchroom Fund	Uniform School Supplies Fund	Latchkey Fund	Total
Operating Revenues	\$252,813	\$43,514	34,358	\$330,685
Operating Expenses				
Depreciation	2,635	0	0	2,635
Other Expenses	355,448	39,799	28,264	423,511
Total Operating Expenses	358,083	39,799	28,264	426,146
Operating Income/Loss	(105,270)	3,715	6,094	(95,461)
Non Operating Revenues and Expenses:				
Grants	75,325	0	1,358	76,683
Federal Commodities	16,479	0	0	16,479
Loss on Disposal of Assets	(576)	0	0	(576)
Net Income (Loss)	(14,042)	3,715	7,452	(2,875)
Fixed Asset Deletions	1,440	0	0	1,440
Net Working Capital	(72,637)	10,323	7,454	(54,860)
Total Assets	84,318	10,415	14,608	109,341
Encumbrances	329	608	3,428	4,365
Total Retained Earnings	\$(34,961)	\$10,323	\$7,454	\$(17,184)

**NOTE 17. RISK MANAGEMENT – GENERAL RISK**

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

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

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$17,871,840. Other property insurance includes musical instrument, related equipment and accessories, camera, film and related equipment and accessories, and data processing equipment and related media.

**JEFFERSON LOCAL SCHOOL DISTRICT**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 17. RISK MANAGEMENT – GENERAL RISK (continued)**

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.

**NOTE 18. SCHOOL FUNDING DECISION**

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

The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$3,263,708 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of this date, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**NOTE 19. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

**JEFFERSON LOCAL SCHOOL DISTRICT  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FISCAL YEAR ENDED JUNE 30, 1999**

**NOTE 19. YEAR 2000 ISSUE (continued)**

Property tax billing, collection and remittance for the District is handled by Madison County. The County is responsible for remediating this system, and is solely responsible for any associated costs.

The District utilized third party administrator organizations to provide computer services (EDP processing), and medical and dental claims processing. In addition, its banking institution provides financial transactions for the District. The District has obtained assurances from these organizations or institutions regarding remediation of these systems. These organizations or institutions are responsible for remediating these systems, and are solely responsible for the associated costs.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems and is solely responsible for any associated costs.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success or related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**NOTE 20. FUND DEFICITS**

Retained Earnings at June 30, 1999, included the following individual fund deficit:

Enterprise Fund -Lunchroom Fund

The deficit is the result of accumulated losses. The District is analyzing fund operations to determine appropriate steps to alleviate the deficit.

**NOTE 21. 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, 1999, the reserve activity was as follows:

	<u>Textbook Acquisition</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Total</u>
Set aside Cash Balance as of June 30, 1998	\$ 0	0	34,499	\$34,499
Current Year Set-Aside Requirement	105,733	105,733	52,866	264,332
Current Year Offsets	0	0	0	0
Qualifying Disbursements	<u>(105,733)</u>	<u>(105,733)</u>	<u>0</u>	<u>(211,466)</u>
Total	<u>0</u>	<u>0</u>	<u>87,365</u>	<u>87,365</u>
Cash Balance Carried Forward to FY2000	<u>\$ 0</u>	<u>0</u>	<u>87,365</u>	
Amount Restricted for Budget Stabilization				<u>87,365</u>
Total Restricted Assets				<u>\$ 87,365</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these amounts may not be used to reduce the set-aside requirement of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the Jefferson Local School District, Madison County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

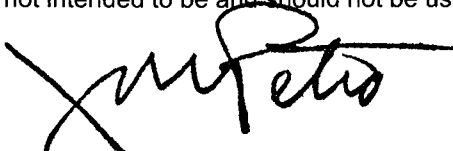
### Compliance

As part of obtaining reasonable assurance about whether 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 January 13, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 13, 2000.

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



**JIM PETRO**  
Auditor of State

January 13, 2000

