

**JEFFERSON TOWNSHIP LOCAL
SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2002***

EDDIE JACOB, TREASURER



**Auditor of State
Betty Montgomery**

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

Board of Education
Jefferson Township Local School District
Dayton, Ohio

We have reviewed the Independent Auditor's Report of the Jefferson Township Local School District, Montgomery County, prepared by Trimble, Julian & Grube, Inc, for the audit period July 1, 2001 through June 30, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jefferson Township Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 21, 2003

This Page is Intentionally Left Blank.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2 - 3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - All Governmental Fund Types and Expendable Trust Fund	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Comparison - (Non-GAAP Budgetary Basis) - All Governmental Fund Types	5 - 6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Proprietary Fund Type	7
Combined Statement of Cash Flows - Proprietary Fund Type	8
Notes to the General Purpose Financial Statements	9 - 42
Supplemental Data	
Schedule of Expenditures of Federal Awards	43
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	44 - 45
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	46 - 47
Schedule of Findings <i>OMB Circular A-133 §.505</i>	48 - 51
Schedule of Prior Audit Findings <i>OMB Circular A-133 § .505</i>	52

This Page is Intentionally Left Blank.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Independent Auditor's Report

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general purpose 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 Jefferson Township Local School District, Montgomery County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the District changed its policy to no longer account for inventories of governmental funds.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Trimble, Julian & Grube, Inc.
November 21, 2002, except for Note 17(B), as to which the date is December 31, 2002

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
ASSETS:			
Equity in pooled cash and cash equivalents	\$ 114,304	\$ 323,251	\$ 63,066
Cash with escrow agent	-	-	610,276
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	3,154,418	-	102,645
Accounts	2,477	-	-
Interfund loan receivable	94,386	-	-
Advances to other funds	19,279	-	-
Due from other governments	-	257,833	-
Materials and supplies inventory	-	-	-
Prepayments	9,263	-	-
Restricted assets:			
Equity in pooled cash and cash equivalents	56,823	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-
OTHER DEBITS:			
Amount to be provided for retirement of general long-term obligations	-	-	-
Total assets and other debits	<u>\$ 3,450,950</u>	<u>\$ 581,084</u>	<u>\$ 775,987</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
LIABILITIES:			
Accounts payable	\$ 28,554	\$ 1,949	\$ 1,745
Contracts payable	-	-	59,601
Accrued wages and benefits	395,702	43,196	-
Compensated absences payable	19,020	-	-
Pension obligation payable	87,266	19,056	-
Interfund loan payable	-	94,386	-
Advances from other funds	-	19,279	-
Deferred revenue	2,952,863	65,084	96,087
Due to other governments	126,160	2,832	-
Due to students	-	-	-
Obligation under lease-purchase agreement	-	-	-
Energy conservation notes payable	-	-	-
Total liabilities	<u>3,609,565</u>	<u>245,782</u>	<u>157,433</u>
EQUITY AND OTHER CREDITS:			
Investment in general fixed assets	-	-	-
Retained earnings: unreserved	-	-	-
Fund balances (deficit):			
Reserved for encumbrances	62,750	18,179	9,614
Reserved for prepayments	9,263	-	-
Reserved for tax revenue unavailable for appropriation	201,555	-	6,558
Reserved for advances	19,279	-	-
Reserved for BWC refunds	25,107	-	-
Reserved for school bus purchase	31,716	-	-
Unreserved-undesignated	(508,285)	317,123	602,382
Total equity (deficit) and other credits	<u>(158,615)</u>	<u>335,302</u>	<u>618,554</u>
Total liabilities, equity and other credits	<u>\$ 3,450,950</u>	<u>\$ 581,084</u>	<u>\$ 775,987</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 62,939	\$ 39,681	\$ -	\$ -	\$ 603,241
-	-	-	-	610,276
-	-	-	-	3,257,063
-	-	-	-	2,477
-	-	-	-	94,386
-	-	-	-	19,279
-	-	-	-	257,833
5,076	-	-	-	5,076
-	-	-	-	9,263
-	-	-	-	56,823
41,585	-	7,031,613	-	7,073,198
-	-	-	1,097,810	1,097,810
<u>\$ 109,600</u>	<u>\$ 39,681</u>	<u>\$ 7,031,613</u>	<u>\$ 1,097,810</u>	<u>\$ 13,086,725</u>
\$ 5,523	\$ -	\$ -	\$ -	\$ 37,771
-	-	-	-	59,601
25,031	-	-	-	463,929
15,956	-	-	229,003	263,979
23,175	-	-	60,807	190,304
-	-	-	-	94,386
-	-	-	-	19,279
2,560	-	-	-	3,116,594
919	-	-	-	129,911
-	39,501	-	-	39,501
-	-	-	708,000	708,000
-	-	-	100,000	100,000
<u>73,164</u>	<u>39,501</u>	<u>-</u>	<u>1,097,810</u>	<u>5,223,255</u>
-	-	7,031,613	-	7,031,613
36,436	-	-	-	36,436
-	-	-	-	90,543
-	-	-	-	9,263
-	-	-	-	208,113
-	-	-	-	19,279
-	-	-	-	25,107
-	-	-	-	31,716
-	180	-	-	411,400
<u>36,436</u>	<u>180</u>	<u>7,031,613</u>	<u>-</u>	<u>7,863,470</u>
<u>\$ 109,600</u>	<u>\$ 39,681</u>	<u>\$ 7,031,613</u>	<u>\$ 1,097,810</u>	<u>\$ 13,086,725</u>

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES (DEFICIT)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,855,785	\$ -	\$ -	\$ 92,870	\$ -	\$ 2,948,655
Tuition	222,127	-	-	-	-	222,127
Earnings on investments	24,321	-	-	5,090	-	29,411
Extracurricular	-	88,444	-	-	-	88,444
Other local revenues	50,611	48,091	-	-	175	98,877
Other revenue	1,000	-	-	-	-	1,000
Intergovernmental - State	2,909,326	447,441	-	20,008	-	3,376,775
Intergovernmental - Federal	-	787,368	-	-	-	787,368
Total revenues	6,063,170	1,371,344	-	117,968	175	7,552,657
Expenditures:						
Current:						
Instruction:						
Regular	2,279,508	464,583	-	31,356	-	2,775,447
Special	355,747	271,330	-	-	-	627,077
Vocational	62,598	-	-	-	-	62,598
Other	320,186	14,485	-	-	-	334,671
Support services:						
Pupil	359,927	46,166	-	-	-	406,093
Instructional staff	267,203	183,981	-	-	-	451,184
Board of Education	47,612	-	-	-	-	47,612
Administration	802,855	21,846	-	-	100	824,801
Fiscal	501,080	-	-	1,682	-	502,762
Operations and maintenance	879,097	37,745	-	1,745	-	918,587
Pupil transportation	557,817	-	-	-	-	557,817
Central	29,713	130,644	-	-	-	160,357
Community services	1,225	4,016	-	-	-	5,241
Extracurricular activities	183,648	41,147	-	-	-	224,795
Facilities acquisition and construction	-	-	-	219,821	-	219,821
Debt service:						
Principal retirement	-	-	25,000	-	-	25,000
Interest and fiscal charges	16,082	-	6,075	-	-	22,157
Total expenditures	6,664,298	1,215,943	31,075	254,604	100	8,166,020
Excess (deficiency) of revenues over (under) expenditures	(601,128)	155,401	(31,075)	(136,636)	75	(613,363)
Other financing sources (uses):						
Proceeds from sale of fixed assets	1,231	-	-	-	-	1,231
Proceeds from lease-purchase agreement	-	-	-	708,000	-	708,000
Operating transfers in	-	1,500	31,075	-	-	32,575
Operating transfers out	(32,575)	-	-	-	-	(32,575)
Total other financing sources (uses)	(31,344)	1,500	31,075	708,000	-	709,231
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(632,472)	156,901	-	571,364	75	95,868
Fund balances, July 1 (restated)	473,857	178,401	-	47,190	105	699,553
Fund balances (deficit), June 30	\$ (158,615)	\$ 335,302	\$ -	\$ 618,554	\$ 180	\$ 795,421

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

This Page is Intentionally Left Blank.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,786,029	\$ 2,783,836	\$ (2,193)	\$ -	\$ -	\$ -
Tuition	222,302	222,127	(175)	-	-	-
Earnings on investments	24,340	24,321	(19)	-	-	-
Extracurricular	-	-	-	101,642	88,445	(13,197)
Other local revenues	5,075	5,071	(4)	54,705	48,236	(6,469)
Other revenue	1,001	1,000	(1)	-	-	-
Intergovernmental - State	2,911,617	2,909,326	(2,291)	557,801	485,379	(72,422)
Intergovernmental - Federal	-	-	-	850,627	740,187	(110,440)
Total revenues	<u>5,950,364</u>	<u>5,945,681</u>	<u>(4,683)</u>	<u>1,564,775</u>	<u>1,362,247</u>	<u>(202,528)</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,258,282	2,249,435	8,847	420,629	490,062	(69,433)
Special	371,010	369,557	1,453	284,832	331,850	(47,018)
Vocational	62,633	62,388	245	-	-	-
Other	253,773	252,779	994	10,192	11,874	(1,682)
Support services:						
Pupil	298,920	297,749	1,171	40,474	47,155	(6,681)
Instructional staff	264,403	263,367	1,036	156,151	181,927	(25,776)
Board of Education	47,983	47,795	188	-	-	-
Administration	848,478	845,155	3,323	20,497	23,881	(3,384)
Fiscal	521,910	519,866	2,044	-	-	-
Operations and maintenance	922,430	918,817	3,613	32,401	37,746	(5,345)
Pupil transportation	571,585	569,346	2,239	-	-	-
Central	31,988	31,863	125	109,836	127,967	(18,131)
Community services	1,230	1,225	5	3,775	4,398	(623)
Extracurricular activities	172,349	171,674	675	62,184	72,449	(10,265)
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>6,626,974</u>	<u>6,601,016</u>	<u>25,958</u>	<u>1,140,971</u>	<u>1,329,309</u>	<u>(188,338)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(676,610)</u>	<u>(655,335)</u>	<u>21,275</u>	<u>423,804</u>	<u>32,938</u>	<u>(390,866)</u>
Other financing sources (uses):						
Advances in	39,961	71,679	31,718	108,468	94,385	(14,083)
Advances out	(94,756)	(94,385)	371	(61,523)	(71,679)	(10,156)
Operating transfers in	-	-	-	2,452	1,500	(952)
Operating transfers out	(44,185)	(44,012)	173	(68)	-	68
Proceeds from lease-purchase agreement	-	-	-	-	-	-
Proceeds from sale of fixed assets	1,232	1,231	(1)	-	-	-
Refund of prior years receipts	(27)	-	27	-	-	-
Refund of prior years expenditures	43,901	43,866	(35)	-	-	-
Total other financing sources (uses)	<u>(53,874)</u>	<u>(21,621)</u>	<u>32,253</u>	<u>49,329</u>	<u>24,206</u>	<u>(25,123)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(730,484)</u>	<u>(676,956)</u>	<u>53,528</u>	<u>473,133</u>	<u>57,144</u>	<u>(415,989)</u>
Fund balances, July 1	647,767	647,767	-	146,096	146,096	-
Prior year encumbrances appropriated	108,436	108,436	-	99,913	99,913	-
Fund balances, June 30	<u>\$ 25,719</u>	<u>\$ 79,247</u>	<u>\$ 53,528</u>	<u>\$ 719,142</u>	<u>\$ 303,153</u>	<u>\$ (415,989)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 157,158	\$ 90,529	\$ (66,629)	\$ 2,943,187	\$ 2,874,365	\$ (68,822)
-	-	-	-	-	-	222,302	222,127	(175)
-	-	-	-	-	-	24,340	24,321	(19)
-	-	-	-	-	-	101,642	88,445	(13,197)
-	-	-	-	-	-	59,780	53,307	(6,473)
-	-	-	-	-	-	1,001	1,000	(1)
-	-	-	32,126	18,506	(13,620)	3,501,544	3,413,211	(88,333)
-	-	-	-	-	-	850,627	740,187	(110,440)
-	-	-	189,284	109,035	(80,249)	7,704,423	7,416,963	(287,460)
-	-	-	27,103	29,855	(2,752)	2,706,014	2,769,352	(63,338)
-	-	-	-	-	-	655,842	701,407	(45,565)
-	-	-	-	-	-	62,633	62,388	245
-	-	-	-	-	-	263,965	264,653	(688)
-	-	-	-	-	-	339,394	344,904	(5,510)
-	-	-	-	-	-	420,554	445,294	(24,740)
-	-	-	-	-	-	47,983	47,795	188
-	-	-	-	-	-	868,975	869,036	(61)
-	-	-	1,528	1,683	(155)	523,438	521,549	1,889
-	-	-	10,312	11,359	(1,047)	965,143	967,922	(2,779)
-	-	-	-	-	-	571,585	569,346	2,239
-	-	-	-	-	-	141,824	159,830	(18,006)
-	-	-	-	-	-	5,005	5,623	(618)
-	-	-	-	-	-	234,533	244,123	(9,590)
-	-	-	188,485	207,619	(19,134)	188,485	207,619	(19,134)
12,500	25,000	(12,500)	-	-	-	12,500	25,000	(12,500)
3,713	6,075	(2,362)	-	-	-	3,713	6,075	(2,362)
16,213	31,075	(14,862)	227,428	250,516	(23,088)	8,011,586	8,211,916	(200,330)
(16,213)	(31,075)	(14,862)	(38,144)	(141,481)	(103,337)	(307,163)	(794,953)	(487,790)
-	-	-	-	-	-	148,429	166,064	17,635
-	-	-	-	-	-	(156,279)	(166,064)	(9,785)
31,075	31,075	-	-	-	-	33,527	32,575	(952)
-	-	-	-	-	-	(44,253)	(44,012)	241
-	-	-	109,235	62,924	(46,311)	109,235	62,924	(46,311)
-	-	-	-	-	-	1,232	1,231	(1)
-	-	-	-	-	-	(27)	-	27
-	-	-	-	-	-	43,901	43,866	(35)
31,075	31,075	-	109,235	62,924	(46,311)	135,765	96,584	(39,181)
14,862	-	(14,862)	71,091	(78,557)	(149,648)	(171,398)	(698,369)	(526,971)
-	-	-	42,973	42,973	-	836,836	836,836	-
-	-	-	48,000	48,000	-	256,349	256,349	-
\$ 14,862	\$ -	\$ (14,862)	\$ 162,064	\$ 12,416	\$ (149,648)	\$ 921,787	\$ 394,816	\$ (526,971)

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$ 1,403
Sales/charges for services	<u>62,488</u>
Total operating revenues	<u>63,891</u>
Operating expenses:	
Personal services	292,889
Contract services	11,178
Materials and supplies	217,068
Depreciation	<u>4,867</u>
Total operating expenses	<u>526,002</u>
Operating loss	<u>(462,111)</u>
Nonoperating revenues:	
Operating grants	377,462
Federal commodities	29,275
Interest revenue.	<u>549</u>
Total nonoperating revenues	<u>407,286</u>
Net loss.	(54,825)
Retained earnings, July 1	<u>91,261</u>
Retained earnings, June 30	<u>\$ 36,436</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 1,577
Cash received from sales/service charges	62,488
Cash payments for personal services	(279,111)
Cash payments for contract services	(11,178)
Cash payments for materials and supplies	<u>(183,999)</u>
Net cash used in operating activities	<u>(410,223)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	<u>377,462</u>
Net cash provided by noncapital financing activities	<u>377,462</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(629)</u>
Net cash used in capital and related financing activities	<u>(629)</u>
Cash flows from investing activities:	
Interest received	<u>549</u>
Net cash provided by investing activities	<u>549</u>
Net decrease in cash and cash equivalents	(32,841)
Cash and cash equivalents at beginning of year	<u>95,780</u>
Cash and cash equivalents at end of year	<u>\$ 62,939</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (462,111)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,867
Federal donated commodities	29,275
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	1,451
Decrease in accounts receivable	174
Increase in accounts payable	2,687
Increase in accrued wages and benefits	2,309
Increase in compensated absences payable	3,879
Increase in due to other governments	919
Increase in pension obligation payable	6,671
Decrease in deferred revenue	<u>(344)</u>
Net cash used in operating activities	<u>\$ (410,223)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 562nd largest by enrollment among the 705 public and community school districts in the state, and 16th in Montgomery County. It currently operates 1 elementary school, 1 middle school, and 1 comprehensive high school. The District employs 51 non-certified and 63 certified employees to provide services to 740 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the general purpose financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Technology Center

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

Metropolitan Dayton Educational Cooperative (MDECA)

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Darke, Greene, Miami and Montgomery Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure regarding items which, in other fund types, would be subject to accrual (see Note 3.C).

ACCOUNT GROUPS

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds do not receive property tax revenue.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement of comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

E. Cash and Investments

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

During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

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

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

The "Cash with Escrow Agent" represents funds held by National City Bank in conjunction with the District's lease-purchase agreement described in Note 9.B. These monies are invested in U.S. government money market mutual funds.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2002 totaled \$24,321, which included \$12,079 assigned from other funds of the District.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

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

F. Inventory

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

G. Prepayments

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Proprietary Fund

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

<u>Asset</u>	<u>Life (years)</u>
Furniture and equipment	5 - 20

I. Compensated Absences

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

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from the proprietary fund is recorded as an expense when earned.

J. Long-Term Obligations

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

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, tax revenue unavailable for appropriation, long-term interfund advances, school bus purchases, Bureau of Workers Compensation (BWC) refunds, and prepayments. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under state statute.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Interfund Transactions

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

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

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 16 for details.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Estimates

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

O. Nicholas Residential Treatment Center

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

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Policy

The District changed its policy to no longer account for inventories of governmental funds. The effect of the change in accounting policy on fund balance as previously reported at June 30, 2001, is as follows:

	<u>General Fund</u>
Fund balance as previously reported	\$496,760
Change in accounting policy	<u>(22,903)</u>
Restated fund balance at July 1, 2001	<u>\$473,857</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

	<u>Deficit Balance</u>
General Fund	\$158,615
<u>Special Revenue Funds</u>	
Title VI-B	6,326
Ohio Reads	46
Other Grant	16,354
District Managed Student Activity	5,844

These funds complied with Ohio state law which does not permit a cash basis deficit at year-end. These deficit fund balances are a result of accruing wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues not recognized at June 30.

C. Agency Fund

The following are accrual for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$131

D. Statutory Noncompliance

- i. The District had appropriations exceeding estimated resources in the following funds in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue	Student Activity	\$ 2,229	\$69,313	\$67,084
Special Revenue	Title I	62,244	76,283	14,039

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- ii. The District had expenditures exceeding appropriations in the following funds in noncompliance with Ohio Revised Code Section 5705.41(B):

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Support Fund	\$ 20,065	\$ 22,266	\$ 2,201
Special Revenue	Smart Grant	115,014	127,075	12,061
Special Revenue	Student Activities	69,313	72,449	3,136
Special Revenue	Auxiliary Services	5,169	9,281	4,112
Special Revenue	Career Development	1,240	1,465	225
Special Revenue	DPIA	205,955	280,574	74,619
Special Revenue	Ohio Reads	22,972	30,270	7,298
Special Revenue	Summer Intervention	5,189	15,546	10,357
Special Revenue	Learning Opportunity	902	921	19
Special Revenue	Conflict Management	2,112	2,411	299
Special Revenue	Title II	3,470	6,271	2,801
Special Revenue	Title I	439,215	500,859	61,644
Special Revenue	Drug Free	5,178	6,586	1,408
Special Revenue	Preschool	-	1,988	1,988
Special Revenue	Class Size Reduction	44,120	53,073	8,953
Special Revenue	Raising the Bar	168,587	193,785	25,198
Debt Service	Bond Retirement	16,213	31,075	14,862
Capital Projects	Permanent Improvement	55,130	119,591	64,461
Capital Projects	SchoolNet	22,298	29,854	7,556
Enterprise	Food Service	463,846	474,918	11,072

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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 TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (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, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

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

Cash with Escrow Agent: At fiscal year-end, the District had \$610,276 in cash and cash equivalents held by National City Bank in relation to the lease-purchase agreement discussed in Note 9.B. This amount is included on the balance sheet as "Cash with Escrow Agent". These monies are invested in U.S. government money market mutual funds which are unclassified investments under GASB No. 3 as they are not evidenced by securities that exist in physical or book entry form.

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".

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

Deposits: At year-end, the carrying amount of the District's deposits was \$(28,410) and the bank balance was \$75,041. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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

	Category 3	Fair Value
Repurchase agreement	\$257,724	\$257,724
Not subject to categorization:		
Investment in STAR Ohio	-	430,750
Total investments	<u>\$257,724</u>	<u>\$688,474</u>

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$1,270,340	\$ -
Investments of the cash management pool:		
Repurchase agreement	(257,724)	257,724
Investment in STAR Ohio	(430,750)	430,750
Cash with escrow agent	<u>(610,276)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (28,410)</u>	<u>\$688,474</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$32,575
<u>Special Revenue Fund</u>		
District Managed Activity	1,500	-
Debt Service Fund	<u>31,075</u>	<u>-</u>
Total	<u>\$32,575</u>	<u>\$32,575</u>

B. The following is a reconciliation of the District's long-term advances receivable and payable at June 30, 2002:

	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$19,279	\$ -
<u>Special Revenue Funds</u>		
District Managed Student Activities	-	11,000
Other Grant	<u>-</u>	<u>8,279</u>
Total	<u>\$19,279</u>	<u>\$19,279</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	\$94,386	\$ -
<u>Special Revenue Funds</u>		
Other Grants	-	16,673
Title I	-	77,713
Total	<u>\$94,386</u>	<u>\$94,386</u>

NOTE 6 - PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue, which would otherwise have been collected.

The assessed value upon which the 2001 taxes were collected was \$72,401,222. Agricultural/residential and public utility/minerals real estate represented 75.75% or \$54,843,890 of this total; commercial & industrial real estate represented 6.45% or \$4,669,600 of this total; public utility tangible represented 8.07% or \$5,845,310 of this total and general tangible property represented 9.73% or \$7,042,422 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$53.30 per \$1,000.00 of assessed valuation for operations, and \$2.00 per \$1,000.00 of assessed valuation for permanent improvements.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 6 - PROPERTY TAXES - (Continued)

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$201,555 in the general fund and \$6,558 in the permanent improvement capital projects fund.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, long-term interfund advances, and intergovernmental grants (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs. A summary of receivables follows:

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - RECEIVABLES - (Continued)

	<u>Amount</u>
<u>General Fund</u>	
Property Taxes - current and delinquent	\$3,154,418
Accounts	2,477
Interfund loan receivable	94,386
Advances to other funds	19,279
 <u>Special Revenue Funds</u>	
Due from other governments	257,833
 <u>Capital Projects Funds</u>	
Property Taxes - current and delinquent	102,645

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance</u> <u>July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2002</u>
Land/improvements	\$ 296,766	\$ 660	\$ -	\$ 297,426
Buildings/improvements	3,691,845	166,390	-	3,858,235
Furniture/equipment	1,752,952	241,275	-	1,994,227
Vehicles	735,171	-	-	735,171
Construction in progress	<u>-</u>	<u>146,554</u>	<u>-</u>	<u>146,554</u>
 Total	 <u>\$6,476,734</u>	 <u>\$554,879</u>	 <u>\$ -</u>	 <u>\$7,031,613</u>

The construction in progress represents costs incurred by June 30 on the construction of a new administration building. See Note 9.B. for more details. The project is expected to be completed by December 31, 2002.

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$ 166,071
Less: accumulated depreciation	<u>(124,486)</u>
 Net fixed assets	 <u>\$ 41,585</u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS

- A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues. The following is a description of the notes outstanding as of June 30, 2002:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2001</u>	<u>Retired in 2002</u>	<u>Balance June 30, 2002</u>
H.B. 264 - Energy conservation notes	5.40%	12/01/05	<u>\$125,000</u>	<u>\$(25,000)</u>	<u>\$100,000</u>
			<u>\$125,000</u>	<u>\$(25,000)</u>	<u>\$100,000</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 25,000	\$ 4,725	\$ 29,725
2004	25,000	3,375	28,375
2005	25,000	2,025	27,025
2006	<u>25,000</u>	<u>675</u>	<u>25,675</u>
Total	<u>\$100,000</u>	<u>\$10,800</u>	<u>\$110,800</u>

- B. During fiscal 2002, the District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through the OASBO Expanded Asset Pooled Financing Program) for the construction of an administration building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenue of the District. During fiscal 2002, the District made \$16,082 in interest payments on the lease-purchase agreement. No principal payments were required in fiscal 2002. Principal and interest payments are recorded as debt service expenditures in the general fund.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

A liability in the amount of the present value of minimum lease payments has been recorded in the general long-term obligations account group. General fixed assets consisting of construction in progress have been capitalized in the general fixed assets account group in the amount of \$106,664. This amount represents the costs of the construction funded by the lease-purchase agreement that were incurred prior to June 30, 2002.

The following is a summary of the District's future minimum annual payments to termination of the lease-purchase agreement:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2003	\$ 50,647
2004	51,085
2005	50,493
2006	50,871
2007	50,219
2008 - 2012	252,823
2013 - 2017	251,617
2018 - 2022	252,418
2023 - 2027	249,829
2028 - 2032	<u>249,448</u>
Total	1,509,450
Less interest	<u>(801,450)</u>
Present value	<u>\$ 708,000</u>

In conjunction with the lease-purchase agreement, the District entered into an escrow agreement with National City Bank whereby acts as escrow agent for the funds received under the lease-purchase agreement. Under the escrow agreement, the District authorizes and directs National City Bank to make disbursements to pay the project costs from the amount deposited with the escrow agent. The escrow agreement terminates upon termination of the lease-purchase agreement. At June 30, 2002, the funds held by the escrow agent are reported as "Cash with Escrow Agent" on the combined balance sheet.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, retirement bonus, and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance</u> <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2002</u>
Energy conservation notes payable	\$125,000	\$ -	\$ (25,000)	\$ 100,000
Pension obligation payable	60,289	60,807	(60,289)	60,807
Obligation under lease-purchase agreement	-	708,000	-	708,000
Compensated absences	<u>223,045</u>	<u>88,147</u>	<u>(82,189)</u>	<u>229,003</u>
Total	<u>\$408,334</u>	<u>\$856,954</u>	<u>\$(167,478)</u>	<u>\$1,097,810</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$6,516,110, an unvoted debt margin of \$72,401, and an unvoted energy conservation debt margin of \$551,611.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - RISK MANAGEMENT - (Continued)

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

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 2001.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenues	\$ 62,488	\$ 1,403	\$ 63,891
Depreciation	4,867	-	4,867
Operating income/(loss)	(463,514)	1,403	(462,111)
Operating grants	377,462	-	377,462
Net income/(loss)	(56,228)	1,403	(54,825)
Fixed assets:			
Additions	629	-	629
Total assets	78,872	30,728	109,600
Long-term liabilities payable from fund revenues	15,308	-	15,308
Net working capital	(20,569)	30,728	10,159
Total liabilities	73,164	-	73,164
Total equity	5,708	30,728	36,436
Encumbrances at June 30	-	-	-

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$214,843, \$184,188, and \$172,745, respectively; 51.15 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$104,952, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent for 2002; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$455,132, \$451,815, and \$459,854, respectively; 83.08 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$77,020, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$146,292 during fiscal 2002.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, 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 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$138,269 during the 2002 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Budget basis	\$(676,956)	\$ 57,144	\$ (78,557)
Net adjustment for revenue accruals	117,489	9,097	8,933
Net adjustment for expenditure accruals	(154,994)	93,268	(54,738)
Net adjustment for other financing sources/(uses)	(9,723)	(22,706)	645,076
Encumbrances (budget basis)	<u>91,712</u>	<u>20,098</u>	<u>50,650</u>
GAAP basis	<u><u>\$(632,472)</u></u>	<u><u>\$156,901</u></u>	<u><u>\$571,364</u></u>

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - CONTINGENCIES - (Continued)

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

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

NOTE 16 - STATUTORY RESERVES

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

	<u>Instructional Materials</u>	<u>Capital Improvements</u>	<u>BWC Refunds</u>
Set-aside cash balance/carry forward as of July 1, 2001	\$ (44,675)	\$(130,798)	\$25,107
Current year set-aside requirement	85,342	85,342	-
Current year offsets	-	(90,524)	-
Qualifying disbursements	<u>(230,294)</u>	<u>(206,148)</u>	<u>-</u>
Total	<u>\$(189,627)</u>	<u>\$(342,128)</u>	<u>\$25,107</u>
Cash balance carried forward to FY 2003	<u>\$(189,627)</u>	<u>\$(221,322)</u>	<u>\$25,107</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

The District had qualifying disbursements during the year that reduced the set-aside amounts below zero in the textbooks. The District had qualify disbursements and offsets during the year that reduced the set-aside amount below zero in capital acquisition reserve. The current year offset in the Capital Improvements set-aside, may be carried forward to offset future years requirement and the excess qualifying disbursements may not be carried forward to future years.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 16 - STATUTORY RESERVES - (Continued)

In addition to the statutory reserves above, the District has received monies which are restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	\$25,107
Amount restricted for school bus purchase	<u>31,716</u>
Total restricted assets	<u>\$56,823</u>

NOTE 17 - SUBSEQUENT EVENTS

- A. The District placed a 5.50 mil renewal current expense levy for five years on the November 5, 2002 ballot. The levy was passed by the electorate.
- B. As of December 31, 2002, Treasurer, Eddie Jacob retired and Ms. Lolita Schultz has been named Interim Treasurer.

This Page is Intentionally Left Blank.

SUPPLEMENTAL DATA

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(B) Food Distribution	10.550	N/A		\$ 28,674		\$ 29,275
(A),(D) School Breakfast Program	10.553	048686-05-PU-2001	\$ 19,162		\$ 19,162	
(A),(D) School Breakfast Program	10.553	048686-05-PU-2002	91,291		91,291	
(A),(D) National School Lunch	10.555	048686-LL-P1-2001	2,309		2,309	
(A),(D) National School Lunch	10.555	048686-LL-P4-2001	31,088		31,088	
(A),(D) National School Lunch	10.555	048686-LL-P1-2002	7,873		7,873	
(A),(D) National School Lunch	10.555	048710-LL-P4-2002	180,085		180,085	
(A),(D) Summer Food Program	10.559	048686-23-PU-2001	16,419		16,419	
(A),(D) Summer Food Program	10.559	048686-24-PU-2001	3,578		3,578	
Total U.S. Department of Agriculture and Nutrition Cluster			351,805	28,674	351,805	29,275
PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I	84.010	048686-C1-S1-2001	143,250		113,302	
Title I	84.010	048686-C1-SD-2001	2,339		4,564	
Title I	84.010	048686-C1-S1-2002	290,917		352,660	
Title I	84.010	048710-C1-SD-2002	2,850		12,869	
Total Title I			439,356		483,395	
Special Education Cluster:						
(C) Title VI-B	84.027	048686-6B-SF-2001-P	12,512		13,839	
(C) Title VI-B	84.027	048686-6B-SF-2002-P	48,406		46,193	
Total VI-B			60,918		60,032	
(C) Special Education Preschool	84.173	048686-PG-S1-2002-P	1,988		1,988	
Total Special Education Cluster			62,906		62,020	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2000	-		1,940	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2001	4,651		2,908	
Safe and Drug-Free Schools	84.186	048686-DR-S1-2002	1,539		1,106	
Total Safe and Drug-Free Schools			6,190		5,954	
Goals 2000	84.276	048686-G2-S1-2000	-		14,420	
Goals 2000	84.276	048686-G2-S2-2000	-		2,109	
Goals 2000	84.276	048686-G2-SP-2001	-		9,529	
Total Goals 2000			-		26,058	
Eisenhower Professional Development	84.281	048686-MS-S1-2000	-		3,107	
Eisenhower Professional Development	84.281	048686-MS-S1-2001	-		1,318	
Eisenhower Professional Development	84.281	048686-MS-S1-2002	8,453		436	
Total Eisenhower Professional Development			8,453		4,861	
Title VI	84.298	048686-C2-S1-2001	3,009		-	
Title VI	84.298	048686-C2-S1-2002	1,101		1,421	
Total VI			4,110		1,421	
Tech. Literacy Challenge	84.318	048686-TF-51-2001	97,240		97,240	
Tech. Literacy Challenge	84.318	048686-TF-52-2001	75,000		73,917	
Tech. Literacy Challenge	84.318	048686-TF-53-2001	25,000		-	
Total Tech. Literacy Challenge			197,240		171,157	
Title VI-R	84.340	048686-CR-S1-2001	15,977		10,638	
Title VI-R	84.340	048710-CR-S1-2002	42,435		42,435	
Total Title VI-R			58,412		53,073	
Total U.S. Department of Education			776,667		807,939	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:						
Community Alternative Funding System Program	93.778	N/A	2,324		2,324	
(F) Community Alternative Funding System Program	93.778	N/A	3,118		3,118	
Total U.S. Department of Health and Human Services			5,442		5,442	
Total Federal Financial Assistance			\$ 1,133,914	\$ 28,674	\$ 1,165,186	\$ 29,275

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.
(B) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.
(C) Included as part of "Special Education Grant Cluster" in determining major programs.
(D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
(E) This schedule was prepared on the cash basis of accounting.
(F) Passed through the Montgomery County Educational Service Center.

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General Purpose Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

We have audited the general purpose financial statements of Jefferson Township Local School District as of and for the fiscal year ended June 30, 2002, and have issued our report thereon dated November 21, 2002, except for Note 17(B), as to which the date is December 31, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Township Local School District's general purpose 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 general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-JTLSLSD-001 and 2002-JTLSLSD-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jefferson Township Local School District in a separate letter dated November 21, 2002.

Board of Education
Jefferson Township Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Township Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 we have reported to the management of Jefferson Township Local School District in a separate letter dated November 21, 2002.

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

Trimble, Julian & Grube, Inc.
November 21, 2002

TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

1445 Worthington Woods Boulevard
Suite B
Worthington, Ohio 43085

Telephone 614.846.1899
Facsimile 614.846.2799

Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With *OMB Circular A-133*

Board of Education
Jefferson Township Local School District
2625 S. Union Road
Dayton, OH 45418

Compliance

We have audited the compliance of Jefferson Township Local School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2002. Jefferson Township Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jefferson Township Local School District's management. Our responsibility is to express an opinion on Jefferson Township Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Jefferson Township Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Township Local School District's compliance with those requirements.

Board of Education
Jefferson Township Local School District

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

Internal Control Over Compliance

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

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

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

Trimble, Julian & Grube, Inc.
November 21, 2002

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	No

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS - (Continued)		
<i>(d)(1)(vii)</i>	Major Program:	Nutrition Grant Cluster: Food Distribution CFDA #10.550; School Breakfast Program CFDA #10.553; National School Lunch Program CFDA #10.555; Summer Food Program CFDA #10.559
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Finding Number	2002-JTLSD-001
----------------	----------------

Ohio Revised Code Section 5705.39 requires that no subdivision appropriate more than its estimated resources.

The District had appropriations exceeding estimated resources in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue	Student Activity	\$ 2,229	\$69,313	\$67,084
Special Revenue	Title I	62,244	76,283	14,039

With appropriations exceeding estimated resources, the District is spending monies that are not lawfully appropriated for those purposes and thus could cause a fund deficit.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resource records and amending the budget prior to year end. If it is determined that estimated resources will be greater than initially anticipated, the District should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources. In addition, the District should monitor its budgetary process on a regular basis.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505**

**2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

Finding Number	2002-JTLSLSD-002
----------------	------------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend money unless it has been appropriated.

The District had expenditures exceeding appropriations in the following funds:

<u>Fund Type</u>	<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue	Support Fund	\$ 20,065	\$ 22,266	\$ 2,201
Special Revenue	Smart Grant	115,014	127,075	12,061
Special Revenue	Student Activities	69,313	72,449	3,136
Special Revenue	Auxiliary Services	5,169	9,281	4,112
Special Revenue	Career Development	1,240	1,465	225
Special Revenue	DPIA	205,955	280,574	74,619
Special Revenue	Ohio Reads	22,972	30,270	7,298
Special Revenue	Summer Intervention	5,189	15,546	10,357
Special Revenue	Learning Opportunity	902	921	19
Special Revenue	Conflict Management	2,112	2,411	299
Special Revenue	Title II	3,470	6,271	2,801
Special Revenue	Title I	439,215	500,859	61,644
Special Revenue	Drug Free	5,178	6,586	1,408
Special Revenue	Preschool	-	1,988	1,988
Special Revenue	Class Size Reduction	44,120	53,073	8,953
Special Revenue	Raising the Bar	168,587	193,785	25,198
Debt Service	Bond Retirement	16,213	31,075	14,862
Capital Projects	Permanent Improvement	55,130	119,591	64,461
Capital Projects	SchoolNet	22,298	29,854	7,556
Enterprise	Food Service	463,846	474,918	11,072

With expenditures exceeding appropriations, the District is unlawfully expending monies that have not been appropriated.

We recommend that the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations and amending the budget throughout the fiscal year as needed. This may be achieved by monitoring the budget more closely on a continual basis throughout the year.

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
*OMB CIRCULAR A-133 § .505***

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY
JUNE 30, 2002**

**SCHEDULE OF PRIOR AUDIT FINDINGS
*OMB CIRCULAR A-133 § .505***

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u>; <i>Explain:</i>
2001-10357-001	Finding for Recovery; Repaid under Audit; overpayment of teacher	Yes	Finding no longer valid.
2001-10357-002	Ohio Revised Code Section 5705.41 (D)	No	Partially Corrected; Finding now located in management letter. The District Treasurer is attempting to more closely monitor purchase orders and invoices.
2001-10357-003	Ohio Revised Code Section 5705.41 (B)	No	The District Treasurer is attempting to more closely monitor expenditures and appropriations and obtain additional amendments.
2001-10357-004	Implementing controls of the adopted fixed asset inventory policy	No	Partially Corrected; Finding now located in management letter. District is annually updating fixed assets in accordance with its policy.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**