



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Jackson-Milton Local School District
Mahoning County

Fiscal Emergency Termination

Local Government Services Division

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

FISCAL EMERGENCY TERMINATION

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CERTIFICATION

Pursuant to a request to the Auditor of State by the Jackson-Milton Local School District Financial Planning and Supervision Commission, the Auditor of State has determined that the Jackson-Milton Local School District no longer meets the fiscal emergency conditions set forth in Section 3316.03(B), Revised Code, and the Jackson-Milton Local School District has met the requirements of Section 3316.16, Revised Code, for termination of the Jackson-Milton Local School District Financial Planning and Supervision Commission. Therefore, the existence of the Jackson-Milton Local School District Financial Planning and Supervision Commission and its role in the operation of the Jackson-Milton Local School District is terminated as of July 27, 2001.

Accordingly, on behalf of the Auditor of State, this report is hereby submitted to the Jackson-Milton Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, George J. Tablack, Jr., Mahoning County Auditor, and Susan Tave Zelman, State Superintendent of Public Instruction.

JIM PETRO
Auditor of State

July 27, 2001

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Jackson-Milton Local School District
Financial Planning and Supervision Commission**

At the request of the Financial Planning and Supervision Commission (the Commission) of the Jackson-Milton Local School District (the School District), Mahoning County, the Auditor of State has performed an analysis to determine whether this Commission and its functions should be terminated.

The Declaration of Fiscal Emergency

The Auditor of State conducted an analysis of the Jackson-Milton Local School District, dated November 5, 1997, to determine whether the School District met the conditions for fiscal watch. The results of the analysis were as follows:

1. The Auditor of State certified an operating deficit for the general fund in the amount of \$816,000, which exceeded eight percent of the general fund revenues of the prior fiscal year;
2. The Jackson-Milton Local School District's unencumbered cash balance for the preceding fiscal year was \$37,000, which was less than eight percent of the preceding fiscal year expenditures; and,
3. The School District had not passed a levy that would eliminate the first two conditions.

Section 3316.02(B)(2) of the Ohio Revised Code requires the Auditor of State to declare a school district to be in a state of fiscal emergency if the district board of education fails, pursuant to Section 3316.04 of the Ohio Revised Code, to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch.

On February 6, 1998, the Jackson-Milton Local School District submitted a financial plan to the State Superintendent of Public Instruction. The State Superintendent of Public Instruction notified the District on February 27, 1998 that the initial plan was unacceptable. Subsequent amendments to the financial plan were also found unacceptable by the State Superintendent of Public Instruction.

On April 20, 1998, the Auditor of State declared the Jackson-Milton Local City School District in Fiscal Emergency based on the Jackson-Milton Local Board of Education not being able to submit a financial plan acceptable to the State Superintendent of Public Instruction within 120 days of the Auditor's declaration of a fiscal watch made pursuant to Section 3316.03 of the Ohio Revised Code.

Under Section 3316.16 of the Ohio Revised Code, a school district financial planning and supervision commission, once established, will continue in existence until the Auditor of State, or the commission itself, determines the following:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Jackson-Milton Local School District
Financial Planning and Supervision Commission**

4. The school district has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and such forecast is, in the Auditor's opinion, "nonadverse."

The results of the analysis performed by the Auditor of State in determining if the Commission will continue to exist is as follows:

The Financial Accounting and Reporting Systems

We reviewed the September 1, 1998, Financial Accounting Report, the fiscal year 2000 audit report and management letter prepared by the Auditor of State. We also observed and interviewed various School District personnel regarding current practices and procedures. A summary of the School District's progress in correcting the issues addressed in the Financial Accounting Report is as follows:

Budgetary Process

- The recovery plan has been amended to include the passage of the May 1998 five-year, 9.9 mill emergency levy which is estimated to generate \$990,000 annually.

Revenue Activity

- The Treasurer writes the receipt numbers on deposit slips to facilitate matching of checks listed on the deposit slip.
- As a safeguard of monies, the Superintendent's secretary sorts, opens, and distributes all mail coming to the Board office, including the Treasurer's mail. By doing so, someone other than the Treasurer is aware of money coming into the School District.
- Secretaries in the Treasurer's office are now authorized to open the Treasurer's mail in the absence of the Treasurer and prepare deposit slips for any checks arriving in that day's mail.
- All advisors are required to review monthly reports, report any discrepancies, and assist the Treasurer in reconciling any differences in the individual student activity accounts.

Purchasing Process

- The Treasurer has implemented a policy that prohibits the authorization and encumbrance of purchase orders if the appropriations are not sufficient to cover the amount of the purchase order.

Cash Disbursements and Payroll Process

- Blank checks are kept in a locked storage cabinet in the Treasurer's office. The checks are only out of the storage cabinet when checks are actually being printed. Access to the locked storage cabinet is limited to the Treasurer and the appropriate Treasurer's staff.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Jackson-Milton Local School District
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Debt Activity

- The School District correctly accounts for debt through the debt service fund.

The Fiscal Emergency Conditions

The Auditor of State shall issue an order, under Section 3316.03, Revised Code, declaring a school district to be in a state of fiscal emergency if the Auditor of State determines a school district meets any of the criteria for fiscal emergency. The criteria are as follows:

1. An operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 15 percent of the school district's general fund revenue for the preceding fiscal year and a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year.
2. The school district board fails to submit a plan acceptable to the State Superintendent of Public Instruction within 120 days of the declaration of fiscal watch, or an updated plan no later than the anniversary of the date on which the first such plan was approved.
3. The Superintendent of Public Instruction has reported to the Auditor of State that the district is not materially complying with the provisions of an original or updated plan as approved by the State Superintendent, and that the State Superintendent has determined the declaration of a state of fiscal emergency necessary to prevent further fiscal decline, and the Auditor of State finds that the determination of the Superintendent is reasonable.
4. A declaration is made under Section 3316.04 of the Ohio Revised Code for a school district that has restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code; and,
5. The Auditor of State may issue an order declaring a school district to be in a state of fiscal emergency if (1) an operating deficit has been certified for the current fiscal year, and the certified operating deficit exceeds 10 percent, but does not exceed 15 percent, of the school district's general fund revenue for the preceding fiscal year; (2) a levy has not been passed by the voters that will raise enough additional revenue to eliminate the first condition in the succeeding fiscal year; and, (3) the Auditor of State determines that a declaration of fiscal emergency is necessary to correct the district's fiscal problems and to prevent further fiscal decline.

The results of our analysis of the fiscal emergency conditions is as follows:

1. The School District no longer has an operating deficit in the general fund.
2. Once declared in fiscal emergency, the School District was not required to submit a plan to the State Superintendent of Public Instruction.
3. The State Superintendent of Public Instruction has not reported to the Auditor of State any material noncompliance with the original or amended financial recovery plan.

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MAHONING COUNTY**

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4. The School District has not restructured or refinanced an emergency operating loan under Section 3316.041 of the Ohio Revised Code.
5. The School District no longer has an operating deficit in the general fund.

The Financial Recovery Plan

We obtained a copy of the latest financial recovery plan of the School District, dated June 15, 1999, and interviewed the Treasurer of the School District and received information from the Chairperson of the Financial Planning and Supervision Commission. The key provisions of the financial plan are as follows:

1. Passage of a 9.9 mill, a five-year emergency operating levy.
2. Renewal of a .9 mill, permanent improvement levy.
3. Reduction of operating expenditures.
4. Personnel reductions.
5. Obtain an advance in the amount of \$672,000 from the State Solvency Assistance Fund for fiscal year 1999.

Actions taken to achieve the provisions of the plan include the following:

1. Passage of a new, five-year, 9.9 mill emergency operating levy to generate an additional \$990,000 annually during May 1998.
2. Renewal of a five-year, .9 mill permanent levy during May 1998
3. Fiscal Year 1999 Non-Personnel savings:

Instructional Supplies	\$53,089
Bus Repairs	<u>78,732</u>
Total	<u><u>\$131,821</u></u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Jackson-Milton Local School District
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4. Fiscal year 1999 Personnel savings:
- | | |
|--------------------------------------|------------------|
| Administrative Assistant | \$15,657 |
| Elementary Teacher | 35,700 |
| OWE and OWA Positions | 32,971 |
| Bus Driver and Reduction of Overtime | 15,823 |
| In School Suspension Aide | 17,426 |
| Varsity Football Assistant | 3,500 |
| Study Hall Aide | 13,926 |
| ½ Gifted and ½ Kindergarten | 29,176 |
| Part-time Music Teacher | <u>13,000</u> |
| Total | <u>\$177,179</u> |
5. The fiscal year 1999 reductions remained in effect and brought similar savings to the District in fiscal year 2000.

The Five Year Forecast

The Auditor of State examined the School District’s financial forecast for the fiscal years ending June 30, 2001 through 2005, for the purpose of determining whether the fiscal emergency conditions have been eliminated and whether any new fiscal emergency conditions are expected to occur during the forecast period.

The School District’s five year forecast (see Appendix A) presents a positive unencumbered and unreserved general fund balance for the forecast period and the Auditor of State, in a report dated May 31, 2001, rendered a “nonadverse” opinion on the financial forecast.

Conclusion

Based on our review, the Auditor of State has determined the following:

1. The School District has adopted and implemented policies for a sound accounting and reporting system;
2. The School District has corrected or eliminated all the fiscal emergency conditions and it appears that, based on the five year financial forecast, the School District will remain out of fiscal emergency;
3. The School District has met the major objectives of the Financial Recovery Plan; and,
4. The School District has prepared a financial forecast for a five-year period in accordance with standards issued by the Auditor of State, and the opinion expressed by the Auditor of State is “nonadverse”.

Therefore, the Auditor of State has determined that the Financial Planning and Supervision Commission of the Jackson-Milton Local School District and its functions may be terminated.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Report on Termination of the Jackson-Milton Local School District
Financial Planning and Supervision Commission**

It is understood that this report's determination is for the use of the Jackson-Milton Local School District Board of Education, the Financial Planning and Supervision Commission, Bob Taft, Governor, Thomas W. Johnson, Director of the Office of Budget and Management, George J. Tablack, Jr., Mahoning County Auditor, Susan Tave Zelman, State Superintendent of Public Instruction, and others as designated by the Auditor of State, and is not to be used for any other purpose.

DISCLAIMER

Because the preceding procedures were not sufficient to constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the specific accounts and fund balances referred to above. Had we performed additional procedures or had we made an audit of the financial statements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported herein.

APPENDIX A

Jackson-Milton Local School District
Mahoning County

Financial Forecast

For the Fiscal Years Ending June 30, 2001 Through 2005

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**Jackson-Milton Local School District
Mahoning County**

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We have examined the accompanying forecasted Schedule of Revenues, Expenditures, and Changes in Fund Balance of the general fund of the Jackson-Milton Local School District for the fiscal years ending June 30, 2001 through 2005. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Jackson-Milton Local Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared by management to provide the Financial Planning and Supervision Commission of the Jackson-Milton Local School District and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Financial Planning and Supervision Commission of the Jackson-Milton Local School District will continue to exist and should not be used for any other purpose.

In our opinion, the accompanying forecast is presented in conformity with the guidelines for presentation of forecasted information established by the American Institute of Certified Public Accountants (AICPA), and the underlying assumptions provide a reasonable basis for management's forecast. However, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The historical financial statements for the fiscal years ended June 30, 1998 (from which historical data was derived) were audited by the School District's independent public accountants and they expressed an unqualified opinion on those statements in their report dated February 12, 1999. The historical financial statements for the fiscal years ended June 30, 1999, and 2000, (from which the historical data are derived) were audited by the Auditor of State's Office and included a qualified opinion due to a going concern issue caused by the District being in Fiscal Emergency. The reports were dated March 31, 2000, and February 1, 2001, respectively.

JIM PETRO
Auditor of State

May 31, 2001

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FOR THE FISCAL YEARS ENDING JUNE 30, 2001 THROUGH 2005 FORECASTED
GENERAL FUND**

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax	\$2,167,000	\$2,629,000	\$3,218,000	\$3,493,000
Tangible Personal Property Tax	400,000	496,000	543,000	\$802,000
Unrestricted Grants-in-Aid	2,327,000	2,371,000	2,527,000	2,431,000
Restricted Grants-in-Aid	74,000	79,000	69,000	52,000
Property Tax Allocation	232,000	280,000	355,000	387,000
All Other Revenues	131,000	109,000	164,000	190,000
<i>Total Revenues</i>	<u>5,331,000</u>	<u>5,964,000</u>	<u>6,876,000</u>	<u>7,355,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	1,711,000	0	0	0
Solvency Assistance Advance	0	672,000	0	0
Advances In	4,000	14,000	0	5,000
All Other Financing Sources	0	1,000	1,000	1,000
<i>Total Other Financing Sources</i>	<u>1,715,000</u>	<u>687,000</u>	<u>1,000</u>	<u>6,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>7,046,000</u>	<u>6,651,000</u>	<u>6,877,000</u>	<u>7,361,000</u>
Expenditures				
Personal Services	3,670,000	3,595,000	3,817,000	4,159,000
Employees' Retirement/Insurance Benefits	1,288,000	1,387,000	1,341,000	1,460,000
Purchased Services	436,000	524,000	658,000	759,000
Supplies and Materials	125,000	120,000	215,000	202,000
Capital Outlay	18,000	15,000	9,000	14,000
Debt Service:				
Principal-Notes	675,000	132,000	0	0
Principal-State Loans	0	684,000	0	0
Principal-Solvency Assistance Advance	0	0	336,000	336,000
Principal-HB 264 Energy Conservation Loans	32,000	48,000	50,000	52,000
Principal-Bus Purchase Bonds	15,000	15,000	15,000	20,000
Interest and Fiscal Charges	28,000	76,000	27,000	24,000
Other Objects	70,000	116,000	139,000	163,000
<i>Total Expenditures</i>	<u>6,357,000</u>	<u>6,712,000</u>	<u>6,607,000</u>	<u>7,189,000</u>
Other Financing Uses				
Operating Transfers Out	349,000	52,000	45,000	49,000
Advances Out	19,000	0	5,000	5,000
<i>Total Other Financing Uses</i>	<u>368,000</u>	<u>52,000</u>	<u>50,000</u>	<u>54,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>6,725,000</u>	<u>6,764,000</u>	<u>6,657,000</u>	<u>7,243,000</u>
<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	321,000	(113,000)	220,000	118,000
<i>Cash Balance July 1</i>	<u>50,000</u>	<u>371,000</u>	<u>258,000</u>	<u>478,000</u>
<i>Cash Balance June 30</i>	371,000	258,000	478,000	596,000
<i>Less Encumbrances and Reserves:</i>				
<i> Estimated Encumbrances June 30</i>	16,000	17,000	60,000	68,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	14,000	0	0	53,000
Budget Reserve	35,000	35,000	35,000	91,000
Bus Purchases	40,000	45,000	61,000	65,000
<i>Subtotal</i>	<u>89,000</u>	<u>80,000</u>	<u>96,000</u>	<u>209,000</u>
<i>Unreserved Fund Balance (Deficit) at June 30</i>	<u>266,000</u>	<u>161,000</u>	<u>322,000</u>	<u>319,000</u>
General Property Tax (Levy Renewal)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unreserved Fund Balance June 30 (with Levy Renewal)</i>	<u>\$266,000</u>	<u>\$161,000</u>	<u>\$322,000</u>	<u>\$319,000</u>

See accompanying summary of significant forecast assumptions and accounting policies.

Note: Schedule includes general fund, DPIA fund, textbook subsidy fund and any portion of the debt service fund related to general fund debt.

Fiscal Year 2002 Forecasted	Fiscal Year 2003 Forecasted	Fiscal Year 2004 Forecasted	Fiscal Year 2005 Forecasted
\$3,513,000	\$3,549,000	\$3,194,000	\$2,941,000
753,000	752,000	641,000	530,000
2,424,000	2,424,000	2,424,000	2,424,000
59,000	59,000	59,000	59,000
389,000	393,000	385,000	351,000
150,000	150,000	150,000	150,000
<u>7,288,000</u>	<u>7,327,000</u>	<u>6,853,000</u>	<u>6,455,000</u>
0	0	0	0
0	0	0	0
5,000	5,000	5,000	5,000
1,000	1,000	1,000	1,000
<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>
<u>7,294,000</u>	<u>7,333,000</u>	<u>6,859,000</u>	<u>6,461,000</u>
4,203,000	4,280,000	4,384,000	4,491,000
1,573,000	1,674,000	1,786,000	1,909,000
640,000	659,000	731,000	701,000
248,000	253,000	259,000	265,000
119,000	109,000	170,000	10,000
0	0	0	0
0	0	0	0
0	0	0	0
55,000	15,000	15,000	20,000
20,000	20,000	20,000	0
20,000	16,000	14,000	11,000
153,000	158,000	163,000	168,000
<u>7,031,000</u>	<u>7,184,000</u>	<u>7,542,000</u>	<u>7,575,000</u>
49,000	49,000	49,000	49,000
5,000	5,000	5,000	5,000
<u>54,000</u>	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>
<u>7,085,000</u>	<u>7,238,000</u>	<u>7,596,000</u>	<u>7,629,000</u>
209,000	95,000	(737,000)	(1,168,000)
<u>596,000</u>	<u>805,000</u>	<u>900,000</u>	<u>163,000</u>
805,000	900,000	163,000	(1,005,000)
68,000	68,000	68,000	68,000
7,000	0	0	0
91,000	91,000	91,000	91,000
15,000	26,000	0	12,000
<u>113,000</u>	<u>117,000</u>	<u>91,000</u>	<u>103,000</u>
<u>624,000</u>	<u>715,000</u>	<u>4,000</u>	<u>(1,176,000)</u>
<u>0</u>	<u>0</u>	<u>494,000</u>	<u>989,000</u>
<u>\$624,000</u>	<u>\$715,000</u>	<u>\$498,000</u>	<u>\$307,000</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Note 1 - Nature and Limitations of the Forecast

This financial forecast presents, to the best of the Jackson-Milton Local School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of May 31, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The forecast was prepared by management to provide the Financial Planning and Supervision Commission of the Jackson-Milton Local School District and the Auditor of State with information to determine whether, under Section 3316.16 of the Ohio Revised Code, the Jackson-Milton Local School District Financial Planning and Supervision Commission will continue to exist and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the emergency levy, disadvantaged pupil impact aid (DPIA), textbook subsidy funds and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences from the audited financial statements for the fiscal years ended June 30, 1998, 1999 and 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
	<u> </u>	<u> </u>	<u> </u>
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$6,668,000	\$5,135,000	\$5,081,000
Emergency Levy	410,000	895,000	1,384,000
DPIA	21,000	43,000	49,000
Textbook Subsidy	15,000	15,000	0
Debt Service Activity Related to			
General Fund Supported Debt	441,000	575,000	429,000
Less Funds Included for External Reporting Purposes	(509,000)	(12,000)	(66,000)
Total Revenues and Other Sources per Forecast	<u>7,046,000</u>	<u>6,651,000</u>	<u>6,877,000</u>

Continued

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	\$6,377,000	\$4,880,000	\$4,913,000
Emergency Levy	410,000	895,000	1,384,000
DPIA	21,000	43,000	49,000
Textbook Subsidy	0	20,000	9,000
Debt Service Activity Related to General Fund Supported Debt	750,000	955,000	429,000
Less Funds Included for External Reporting Purposes	(849,000)	(46,000)	(187,000)
Less Encumbrances	16,000	17,000	60,000
Total Expenditures and Other Uses per Forecast	<u>6,725,000</u>	<u>6,764,000</u>	<u>6,657,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
	321,000	(113,000)	220,000
Cash Fund Balance at Beginning of Fiscal Year	<u>50,000</u>	<u>371,000</u>	<u>258,000</u>
Cash Fund Balance at End of Fiscal Year	371,000	258,000	478,000
Encumbrances at Fiscal Year End	16,000	17,000	60,000
Unencumbered Fund Balance at Fiscal Year End	<u>\$387,000</u>	<u>\$275,000</u>	<u>\$538,000</u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

Governmental Funds

General Fund - The general fund is the operating fund of the School 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 School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

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

Proprietary Funds

Enterprise Funds - Enterprise funds account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and 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

Agency Funds - Agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Mahoning County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**Summary of Significant Forecast Assumptions and Accounting Policies
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Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Jackson-Milton Local School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, tangible personal property taxes, and trailer taxes. Advances may be requested from the Mahoning County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
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Tax Levies	Year Approved	Last year of Collection	Full Tax Rate (Mills)
Inside Millage Limitation	n/a	n/a	\$4.20
Continuing Operating	1987 and Prior	n/a	31.25
Emergency Operating	1998	2003	9.90
Emergency Renewal	2000	2006	3.60
Total Tax Rate			\$48.95

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes and public utility property taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The forecasted figures for fiscal year 2001 were based on the most recent information provided by the Mahoning and Trumbull County Auditors. The amounts shown in the revenue section of the forecast schedules represent gross property tax revenue. Based upon this information, the School District anticipates receiving \$3,493,000, in real estate tax revenue, an increase of \$275,000 from the prior fiscal year. The increase is attributed an increase in assessed valuations caused by the tri-annual update of real property values.

The amounts forecasted for fiscal years 2002 through 2005 are based on information provided by the Mahoning and Trumbull County Auditors. Fiscal year 2002 and 2003 receipts are based on fiscal year 2001, with increases of one-half percent and one percent, respectively for new construction. The decreases for fiscal years 2004 and 2005 are the result of the expiration of the May 1998, 9.9 mill emergency levy in December 2002. The District will make every effort to renew the levy. The forecasted revenue for fiscal year 2004 has been reduced by \$494,000 to reflect the loss of one-half the annual revenue of the expiring levy. Fiscal year 2005 has been reduced by \$989,000 to reflect the full year's loss of the levy.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business and a portion of the public utility personal property tax revenue. As with real estate taxes, tangible personal property tax, the personal property tax exemption reimbursement amount, and manufactured home tax revenues for this forecast are based upon the most recent information provided by the Mahoning and Trumbull County Auditors which includes full year actual tax settlements except for an estimated amount for the June manufactured home taxes based on certification amounts from the Mahoning County Auditor. The School District historically does not receive any manufactured home tax revenue from Trumbull County.

The School District expects to receive \$802,000 in tangible personal property tax, including the tangible personal property tax exemption and manufactured home tax during fiscal year 2001, representing an increase of \$259,000 over the amount received in fiscal year 2000. The School District anticipates decreases in fiscal years 2002 through 2005 due to changes in the assessed value of personal property and the expiration of the 9.9 mill levy.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

B. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, vocational education, and preschool units.

In 1998, State law set the base cost per pupil at \$3,851 and increased the rate each year thereafter, to \$4,052 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue for fiscal year 2001 of \$2,431,000 is based on current estimates provided by the Ohio Department of Education. The estimated increase of \$96,000 is due to changes in categorical funding levels. For fiscal years 2002 through 2005, the School District anticipates unrestricted grants-in-aid to remain consistent because the School District falls under the guarantee. These estimates take into account the reduction of the unrestricted portion of DPIA moneys.

C. - Restricted Grants-in-Aid

Restricted grants-in-aid for fiscal year 2001 consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$18,000, and \$34,000, respectively. The School District anticipates these resources to increase \$7,000 to \$59,000 in fiscal year 2002 and remain constant through fiscal year 2005. The restricted portion of DPIA revenue will increase to 100 percent, or \$25,000, beginning in fiscal year 2002.

D. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information from the Mahoning and Trumbull County Auditors for fiscal year 2001, is anticipated to increase by \$32,000 over the prior fiscal year. The increase is attributed to an increase in assessed valuations caused by the tri-annual update of real values mentioned above.

The property tax allocation is forecasted to increase slightly in fiscal years 2002 through 2003 in direct proportion to the real property tax revenues, and decrease beginning in fiscal year 2004 due to the expiration of the emergency operating levy mentioned above.

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**Summary of Significant Forecast Assumptions and Accounting Policies
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E. - All Other Revenues

All other revenues include tuition, transportation, earnings on investments, miscellaneous receipts from local sources, reimbursements from loss of assets, compensation for lost books, and refunds of prior year expenditures. These revenues are forecasted at \$190,000 for fiscal year 2001, an increase of \$26,000, based on historical and year-to-date trends. The increase is due to increases in tuition from other school districts through the State foundation settlements, recoveries of lost property, investment earnings, and refunds of prior year expenditures in fiscal year 2001.

Interest is based on historical investment practices and anticipated rates during the forecast period. The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

Fiscal year 2002 is projected to decrease by \$40,000 to \$150,000 and remain constant for the remainder of the forecast period. The decrease is for the amount of refunds of prior year's expenditures received in fiscal year 2001 which is not anticipated in future years.

F. - Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$5,000 in each year of the forecast period from various special revenue grant funds.

G. - All other financing sources

All other financing sources includes proceeds from the sale of assets and is forecast at \$1,000 for fiscal year 2001 based on year to date revenues. The forecast amount is consistent with the two preceding historical years, and is anticipated to remain constant during the remainder of the forecast period.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, overtime, severance pay, board members' compensation, and student workers. All employees receive their compensation on a bi-weekly basis. The certified, classified, and administrative staff levels are expected to remain constant during the forecast period.

Certified and classified staff salaries are based on contracts with the Jackson-Milton Educator's Association and OAPSE, Chapter 424. The contracts cover the period July 1, 2000 through June 30, 2003 and include a one year extension through June 30, 2004. Under the contracts, staff receive base increases of one percent in fiscal year 2001 and a two percent increase each year in 2002 through 2004. In addition, certified staff will receive step increases of approximately five percent and educational incentives. Classified staff will also receive step increase of approximately two percent each year of the contract.

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The School District offers severance pay to its certified employees who have ten or more years of service in the District. Effective July 1, 2000 through June 30, 2002, severance pay for certified employees who retire from active service is based on years of service:

Years of Service	Number of Days Paid Severance
Ten to fourteen	Ten
Fifteen to nineteen	Fifteen
Twenty to twenty-four	Twenty
Twenty-five to twenty-nine	Twenty-five
Thirty and above	Thirty

In addition, certified employees receive ten percent of their total accumulated sick leave.

Effective July 1, 2002, certified employees retiring with ten years of service will receive one-fourth of their total accumulated but unused sick days up to a maximum of sixty days. A superseverance for the life of the current contract will be made to certified employees who retire in the first year of eligibility shall receive one and one-third times their severance pay. Those retiring between July 1, 2001 through June 30, 2002 will receive a maximum superseverance of \$12,000. Effective July 1, 2002 and thereafter, the superseverance is available to employees who irrevocably notify the District in writing of such retirement not later than May 10 of the calendar year in which the employee plans to retire. Also effective July 1, 2002 and thereafter, the maximum additional days to be paid shall not exceed twenty days.

Classified employees who have ten or more years of service in the District and who retire from active service will receive severance pay for accumulated sick leave based on a the number of days of accumulated sick leave as follows:

Accumulated Sick Days	Number of Sick Days Paid
Zero to eighty	One-fourth of days accumulated
Eighty-one to one-hundred	Forty days
One-hundred one to one-hundred thirty-nine	Forty-five days
One-hundred forty to one-hundred seventy-nine	Fifty days
One-hundred eighty to two-hundred nineteen	Fifty-five days
Two-hundred twenty to two-hundred ninety	Sixty days

The personal services expenditures of \$4,159,000 for fiscal year 2001 is an increase of \$342,000 from fiscal year 2000. The increase is the result of a one percent increase in base salaries, step increases, increased use of substitutes due to long-term leaves of absences, and severance due to the retirement of the superintendent.

The cost of personal services for fiscal years 2002 through 2005 includes salaries and wages for certified and classified staff, supplemental contracts, substitutes, severance pay, overtime, board members and student workers. Salaries are forecasted for fiscal years 2002 through 2005 based on two percent increases to the base for negotiated contracts and historical and anticipated trends of the District. The amounts are based on 26 pays in each fiscal year and continuation of the terms of the current union contracts. Each fiscal year's forecasted expenditures for personal services allow for base, step and educational increases, and increases anticipated under current contracts.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
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B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, the monthly premiums, and anticipated increases during the forecast period.

The School District is a member of the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for thirteen member school districts. The plan was organized to provide life insurance, health care, dental, and vision benefits to its member organizations. The health care, dental, and vision benefits are administered by a third party administrator. The School District pays health care benefit and stop-loss coverage monthly premiums to the third party administrator and life insurance premiums to American United Life Insurance Company. The School District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding that amount are covered by the School District's stop loss carrier.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

The School District currently participates in the Ohio School Boards Association Workers' Compensation Group Rating Program, which is administered through Gates McDonald & Co. The School District pays a rate billed by the State Worker's Compensation system based on the group rate and the actual salaries for the premium period.

Employee retirement and insurance benefits are forecasted at \$1,460,000 for fiscal year 2001, a \$119,000 increase over fiscal year 2000. This increase is due to increases in retirement benefit payments, health care insurance premium rate increases, workers' compensation premiums, and medicare costs, partially offset by decreases in unemployment costs and tuition reimbursements.

For fiscal years 2002 through 2005, retirement costs are expected to increase in relation to the increases in salaries and wages. Health care costs are based on the coverage terms of the existing health insurance contracts, the anticipated number of employees participating in the program, and annual increases in the health care premiums. Medicare benefits are forecasted based on related anticipated payroll costs over the forecast period. Workers' compensation premium costs are based on the School District's current rate and the anticipated salaries for each fiscal year.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
For the Fiscal Years Ending June 30, 2001 through 2005**

C. - Purchased Services

Purchased service expenditures include professional services, property services, utilities, tuition and transportation costs. The School District is anticipating an \$101,000 increase in purchased services for fiscal year 2001. The increases are for security services due to a strike, utility services due to the increase in cost for natural gas, tuition payments to the community schools, excess costs, and transportation costs. Fiscal year 2002 will see expenditures decrease due to a reduction in legal costs and the one-time expenditures in fiscal year 2001 for security services. Annual increases of approximately three percent in fiscal years 2003 through 2005 are projected based on anticipated increases in utility costs and increased transportation costs. Fiscal year 2004 will also increase due to one-time legal expenses for contract negotiations.

D. - Supplies and Materials

Expenditures for supplies and materials include general and office supplies, teaching aids, dispensary supplies, software materials, textbooks, and supplemental textbooks. Fiscal year 2001 expenditures for general supplies, textbooks and supplies and materials for operations, maintenance and repairs for motor vehicles are anticipated to decrease \$13,000 due to purchase of textbooks from the permanent improvement levy fund and other normal fluctuations in expenditures. Fiscal year 2002 expenditures will increase significantly due to a substantial increase in the purchase of educational supplies and materials. Fiscal years 2003 through 2005 will see increases approximating two percent annually for instructional materials and other expenditures for non-instructional items. The School District intends to purchase new and replacement textbooks through the permanent improvement fund.

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general governmental services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted for fiscal year 2001 in the amount of \$14,000 which includes \$7,000 in various new equipment, \$1,000 for various replacement equipment and \$6,000 for a used school bus.

Fiscal year 2002 general fund expenditures include \$9,000 for various equipment based on fiscal year 2001 expenditures. These equipment expenditures will remain constant, but adjusted three percent annually for inflation for the balance of the forecast period. Planned roof repairs paid from general fund sources are \$50,000, \$100,000, and \$100,000, respectively in fiscal years 2002 through 2004. The District anticipates bus purchase for new replacement buses at \$60,000 in fiscal years 2002 and 2004.

The School District receives permanent improvement levy proceeds from a levy passed under Section 5705.21, Ohio Revised Code in the amount of \$199,000 annually and \$82,000 annually from inside millage allocated from the general fund. Permanent improvement funds are used for textbook purchases, bus repairs and other repairs that qualify as capital improvement and maintenance set-aside off-sets.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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F. - Debt Service

The School District has not issued any debt during fiscal year 2001 and does not anticipate the issuance of any debt during the remainder of the forecast period.

The following principal and interest payments will be made during the forecast period for energy conservation loans and a solvency assistance advance.

Year	H.B. 264 Energy Conservation	Bus Purchase Bonds	Solvency Assistance Advance	Total Principal	Interest
FY 2001	\$52,000	\$20,000	\$336,000	\$408,000	\$24,000
FY 2002	55,000	20,000	0	75,000	20,000
FY 2003	15,000	20,000	0	35,000	16,000
FY 2004	15,000	20,000	0	35,000	14,000
FY 2005	20,000	0	0	20,000	11,000

The energy conservation loans are paid from general fund revenues and permanent improvement tax revenues. The bus purchase bonds are paid from the State bus purchase allowance. The solvency assistance advance is paid from State foundation revenues.

G. - Other Objects

This account includes dues, fees, liability insurance, other miscellaneous goods and services not otherwise classified in another account, and refund of prior years' receipts. For fiscal year 2001, the School District anticipates spending \$163,000, an increase of \$24,000 over fiscal year 2000. The increase is due to an increase in county board fees, county auditor and treasurer fees, election expenses and normal variations in spending levels in other areas.

Fiscal years 2002 through 2005 expenditures are based on fiscal year 2001, reduced for a refund of prior years' receipts not anticipated to occur in future years, with annual increases of three percent based on an analysis of projected expenditures and the District's anticipated cost increases.

H. - Operating Transfers and Advances Out

The School District anticipates transfers out of \$49,000 and advances out of \$5,000. Transfers out represent an estimated \$23,000 to the cafeteria fund and \$26,000 to the EMIS fund. The estimated advances out are to various federal grant funds. Transfers out and advances out will remain consistent for the remainder of the forecast period.

Note 7 - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2002 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget, nor is it anticipated for fiscal year 2001. The Spending Reserve borrowing authority does not exist after fiscal year 2002.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
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Note 8 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Encumbrances for benefits, purchased services, supplies and materials, capital outlay and other objects expenditures for fiscal year ended June 30, 2000 were \$60,000 and are forecasted at \$68,000 for June 30, 2001. Encumbrances are forecasted to remain constant during fiscal years 2002 through 2005. Forecasted encumbrances include the State Teachers' Retirement System Advance.

Note 9 - Reservations of Fund Balance

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

Effective July 1, 2001, Senate Bill 345 provides an alternate formula to calculate the set aside amount for the textbook and instructional materials and capital improvements and maintenance. The alternate formula requires three percent of the State base cost formula amount for the current fiscal year multiplied by the school district's student population for that fiscal year. A school district may, at its option, continue to use the current formula to calculate the set aside requirement each year. For presentation in this forecast, management has calculated the set aside requirements based on the alternate formula.

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$163,000. Qualifying expenditures in the amount of \$110,000 are anticipated. Therefore, a reserve of \$53,000 is included. The reserve is carried forward to fiscal year 2002. The set aside amount for fiscal year 2002 is \$119,000. Qualifying expenditures and off-sets in the amount of \$165,000 are anticipated, leaving a reserve of \$7,000 at the end of fiscal year 2002.

The School District anticipates qualifying expenditures and off-sets to completely offset the set aside requirement for remainder of the forecast period.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
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**Summary of Significant Forecast Assumptions and Accounting Policies
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B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside will be offset each year by the levy proceeds of a permanent improvement levy under Section 5705.21 of the Ohio Revised Code and an allocation of inside millage proceeds from the general fund throughout the forecast period.

C. - Budget Reserve

The School District was required to establish a budget reserve and set aside one percent of certain revenues each year there was a growth of three percent or more in these revenues. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts were required to credit any refund from the Bureau of Worker's Compensation to the budget reserve.

School districts in fiscal emergency were not required to annually set aside revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$36,000 from the Bureau of Worker's Compensation to the budget reserve. Though not required, the School District has the funds available and intends to fund the budget reserve with an additional \$55,000, increasing the balance to \$91,000 at the end of fiscal year 2001.

Senate Bill 345, effective April 10, eliminated the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in the SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. - Disadvantaged Pupil Impact Aid (DPIA)

The School District will receive \$18,000 in restricted DPIA monies during fiscal year 2001 and anticipates spending the entire amount in the current fiscal year. Therefore, no reserved amount is anticipated at June 30, 2001.

The School District anticipates the expenditures for fiscal years 2002 through 2005 based on historical patterns and the existing programs to completely expend the restricted revenues and therefore have no reserve balance for the remainder of the forecast period.

E. - Bus Purchase Allowance

The School District had a carry over balance of \$61,000 at the fiscal year ended June 30, 2000. The School District received \$34,000 during fiscal year 2001 and has spent \$31,000 for bus purchase expenditures during fiscal year 2001. A balance of \$65,000 remains and is reserved for future bus purchases.

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The School District anticipates revenues to remain the same for the forecast period and plans on expenditures of \$84,000, \$23,000, \$82,000, and \$22,000, respectively, for the fiscal years ending June 30, 2002, 2003, 2004, and 2005. The amount of bus purchase money reserved is anticipated to be \$15,000, \$26,000, \$0, and \$12,000, respectively, for the remainder of the forecast years.

Note 10 - Levies

The School District does not plan to place any levies on the ballot during fiscal year 2001. The School District plans to place levies on the ballot in November 2002 to replace the expiring 9.90 mill emergency levy and the .90 mill permanent improvement levies set to expire at the end of calendar year 2002. The revenue from the expiring emergency levy is reflected below the Unreserved Fund Balance (Deficit) at June 30 and is included in the Unreserved Fund Balance June 30 (with levy renewal) for fiscal years 2004 and 2005. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1993	Permanent Improvement Levy	0.90 Mills	5 Years	Passed
May 1995	Emergency Levy	4.35 Mills	5 Years	Passed
November 1997	Emergency Levy	5.90 Mills	5 Years	Failed
May 1998	Emergency Levy	9.90 Mills	5 Years	Passed
May 1998	Permanent Improvement Levy Renewal	0.90 Mills	5 Years	Passed
March 2000	Emergency Renewal	3.60 Mills	5 Years	Passed

Note 11 - Pending Litigation

Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 12 - State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$2,431,000 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority

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recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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