



**Auditor of State
Betty Montgomery**

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

We have audited the accompanying general-purpose financial statements of the Jackson Milton Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jackson Milton Local School District, Mahoning County, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2004 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.

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

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

Betty Montgomery
Auditor of State

February 24, 2004

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JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 1,316,422	\$ 87,955	\$ -	\$ 451,839
Receivables (net of allowances of uncollectibles):				
Property taxes-current and delinquent	3,230,802	1,383,975	30,209	291,770
Accounts	8,366	4,932	-	-
Due from other governments	-	25,658	-	-
Materials and supplies inventory	-	-	-	-
Prepayments	12,328	-	-	-
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>\$ 4,567,918</u>	<u>\$ 1,502,520</u>	<u>\$ 30,209</u>	<u>\$ 743,609</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 16,851	\$ 4,163	\$ -	\$ -
Accrued wages and benefits	764,267	44,791	-	-
Compensated absences payable	65,720	-	-	-
Pension obligation payable	85,770	2,598	-	-
Deferred revenue	3,230,802	1,387,423	30,209	291,770
Due to other governments	25,412	8,937	-	-
Due to students	-	-	-	-
General obligation bonds payable	-	-	-	-
Energy conservation notes payable	-	-	-	-
Obligation under capital lease	-	-	-	-
Obligation under lease purchase agreement	-	-	-	-
Total liabilities	<u>4,188,822</u>	<u>1,447,912</u>	<u>30,209</u>	<u>291,770</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings (accumulated deficit)	-	-	-	-
Fund balances:				
Reserved for encumbrances	33,300	13,442	-	45,504
Reserved for prepayments	12,328	-	-	-
Unreserved:				
Designated for budget stabilization	264,284	-	-	-
Undesignated	69,184	41,166	-	406,335
Total equity and other credits	<u>379,096</u>	<u>54,608</u>	<u>-</u>	<u>451,839</u>
Total liabilities, equity and other credits	<u>\$ 4,567,918</u>	<u>\$ 1,502,520</u>	<u>\$ 30,209</u>	<u>\$ 743,609</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			
\$ 5,724	\$ 22,264	\$ -	\$ -	\$ 1,884,204
-	-	-	-	4,936,756
543	-	-	-	13,841
-	-	-	-	25,658
5,373	-	-	-	5,373
-	-	-	-	12,328
14,017	-	6,143,093	-	6,157,110
-	-	-	1,291,897	1,291,897
<u>\$ 25,657</u>	<u>\$ 22,264</u>	<u>\$ 6,143,093</u>	<u>\$ 1,291,897</u>	<u>\$ 14,327,167</u>
\$ -	\$ -	\$ -	\$ -	\$ 21,014
19,066	-	-	-	828,124
7,021	-	-	529,769	602,510
8,945	-	-	65,340	162,653
-	-	-	-	4,940,204
668	1,550	-	-	36,567
-	9,964	-	-	9,964
-	-	-	40,000	40,000
-	-	-	220,004	220,004
-	-	-	129,784	129,784
-	-	-	307,000	307,000
<u>35,700</u>	<u>11,514</u>	<u>-</u>	<u>1,291,897</u>	<u>7,297,824</u>
-	-	6,143,093	-	6,143,093
10,475	-	-	-	10,475
(20,518)	-	-	-	(20,518)
-	-	-	-	92,246
-	-	-	-	12,328
-	-	-	-	264,284
-	10,750	-	-	527,435
<u>(10,043)</u>	<u>10,750</u>	<u>6,143,093</u>	<u>-</u>	<u>7,029,343</u>
<u>\$ 25,657</u>	<u>\$ 22,264</u>	<u>\$ 6,143,093</u>	<u>\$ 1,291,897</u>	<u>\$ 14,327,167</u>

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

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$ 2,864,975	\$ 1,247,153	\$ 27,903	\$ 258,005	\$ -	\$ 4,398,036
Tuition	63,007	-	-	-	-	63,007
Earnings on investments	22,347	-	-	-	-	22,347
Extracurricular	-	71,514	-	-	-	71,514
Other local revenues	40,910	55,286	-	4,570	10,600	111,366
Other revenue	20,738	-	-	-	-	20,738
Intergovernmental-State	2,875,784	216,445	22,432	54,130	-	3,168,791
Intergovernmental-Federal	-	326,377	-	-	-	326,377
Total revenues	5,887,761	1,916,775	50,335	316,705	10,600	8,182,176
Expenditures:						
Current:						
Instruction:						
Regular	2,232,815	1,512,773	-	76,436	21,791	3,843,815
Special	535,464	242,755	-	-	-	778,219
Vocational	179,232	-	-	-	-	179,232
Support services:						
Pupil	161,946	1,060	-	-	-	163,006
Instructional staff	157,536	9,527	-	-	-	167,063
Board of Education	39,246	-	-	-	-	39,246
Administration	592,730	2,311	-	-	-	595,041
Fiscal	296,921	53,012	-	4,646	-	354,579
Operations and maintenance	714,150	-	-	37,625	-	751,775
Pupil transportation	576,659	-	-	64,963	-	641,622
Extracurricular activities	201,727	109,870	-	-	-	311,597
Facilities acquisition and construction	-	-	-	62,568	-	62,568
Debt service:						
Principal retirement	-	-	35,000	37,422	-	72,422
Interest and fiscal charges	-	-	15,775	20,009	-	35,784
Total expenditures	5,688,426	1,931,308	50,775	303,669	21,791	7,995,969
Excess (deficiency) of revenues over (under) expenditures	199,335	(14,533)	(440)	13,036	(11,191)	186,207
Other financing sources (uses):						
Operating transfers in	-	29,587	418	70,000	-	100,005
Operating transfers out	(109,505)	-	-	-	-	(109,505)
Proceeds of lease purchase agreement	-	-	-	307,000	-	307,000
Proceeds from sale of fixed assets	3,529	-	-	-	-	3,529
Total other financing sources (uses)	(105,976)	29,587	418	377,000	-	301,029
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	93,359	15,054	(22)	390,036	(11,191)	487,236
Fund balances, July 1	285,737	39,554	22	61,803	21,941	409,057
Fund balances, June 30	\$ 379,096	\$ 54,608	\$ -	\$ 451,839	\$ 10,750	\$ 896,293

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 2,864,975	\$ 2,864,975	\$ -	\$ 1,247,153	\$ 1,247,153	\$ -
Tuition	63,007	63,007	-	-	-	-
Earnings on investments	22,347	22,347	-	-	-	-
Extracurricular	-	-	-	71,984	71,984	-
Other local revenues	33,702	33,702	-	50,690	50,690	-
Other revenue	20,738	20,738	-	-	-	-
Intergovernmental - State	2,875,785	2,875,785	-	216,446	216,446	-
Intergovernmental - Federal	-	-	-	327,399	327,399	-
Total revenues	<u>5,880,554</u>	<u>5,880,554</u>	<u>-</u>	<u>1,913,672</u>	<u>1,913,672</u>	<u>-</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,240,739	2,240,739	-	1,509,266	1,509,266	-
Special	534,376	534,376	-	242,183	242,183	-
Vocational	179,007	179,007	-	-	-	-
Support services:						
Pupil	156,184	156,184	-	1,519	1,519	-
Instructional staff	155,693	155,693	-	9,531	9,531	-
Board of Education	38,442	38,442	-	-	-	-
Administration	614,664	614,664	-	2,311	2,311	-
Fiscal	294,319	294,319	-	50,464	50,464	-
Operations and maintenance	738,179	738,179	-	-	-	-
Pupil transportation	576,552	576,552	-	-	-	-
Extracurricular activities	197,592	197,592	-	123,659	123,659	-
Facilities acquisition and construction	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	<u>5,725,747</u>	<u>5,725,747</u>	<u>-</u>	<u>1,938,933</u>	<u>1,938,933</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>154,807</u>	<u>154,807</u>	<u>-</u>	<u>(25,261)</u>	<u>(25,261)</u>	<u>-</u>
Other financing sources (uses):						
Advances in	3,184	3,184	-	783	783	-
Advances out	(783)	(783)	-	(3,184)	(3,184)	-
Operating transfers in	200,000	200,000	-	29,587	29,587	-
Operating transfers out	(309,505)	(309,505)	-	(200)	(200)	-
Proceeds from sale of fixed assets	2,446	2,446	-	-	-	-
Proceeds from lease purchase agreement	-	-	-	-	-	-
Total other financing sources (uses)	<u>(104,658)</u>	<u>(104,658)</u>	<u>-</u>	<u>26,986</u>	<u>26,986</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>50,149</u>	<u>50,149</u>	<u>-</u>	<u>1,725</u>	<u>1,725</u>	<u>-</u>
Fund balances, July 1	1,197,016	1,197,016	-	61,024	61,024	-
Prior year encumbrances appropriated	35,027	35,027	-	7,661	7,661	-
Fund balances, June 30	<u>\$ 1,282,192</u>	<u>\$ 1,282,192</u>	<u>\$ -</u>	<u>\$ 70,410</u>	<u>\$ 70,410</u>	<u>\$ -</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 27,903	\$ 27,903	\$ -	\$ 258,005	\$ 258,005	\$ -	\$ 4,398,036	\$ 4,398,036	\$ -
-	-	-	-	-	-	63,007	63,007	-
-	-	-	-	-	-	22,347	22,347	-
-	-	-	-	-	-	71,984	71,984	-
-	-	-	4,570	4,570	-	88,962	88,962	-
-	-	-	-	-	-	20,738	20,738	-
22,432	22,432	-	54,130	54,130	-	3,168,793	3,168,793	-
-	-	-	-	-	-	327,399	327,399	-
<u>50,335</u>	<u>50,335</u>	<u>-</u>	<u>316,705</u>	<u>316,705</u>	<u>-</u>	<u>8,161,266</u>	<u>8,161,266</u>	<u>-</u>
-	-	-	126,867	126,867	-	3,876,872	3,876,872	-
-	-	-	-	-	-	776,559	776,559	-
-	-	-	-	-	-	179,007	179,007	-
-	-	-	-	-	-	157,703	157,703	-
-	-	-	-	-	-	165,224	165,224	-
-	-	-	-	-	-	38,442	38,442	-
-	-	-	-	-	-	616,975	616,975	-
-	-	-	4,646	4,646	-	349,429	349,429	-
-	-	-	37,625	37,625	-	775,804	775,804	-
-	-	-	64,963	64,963	-	641,515	641,515	-
-	-	-	-	-	-	321,251	321,251	-
-	-	-	118,736	118,736	-	118,736	118,736	-
35,000	35,000	-	-	-	-	35,000	35,000	-
15,775	15,775	-	-	-	-	15,775	15,775	-
<u>50,775</u>	<u>50,775</u>	<u>-</u>	<u>352,837</u>	<u>352,837</u>	<u>-</u>	<u>8,068,292</u>	<u>8,068,292</u>	<u>-</u>
(440)	(440)	-	(36,132)	(36,132)	-	92,974	92,974	-
-	-	-	-	-	-	3,967	3,967	-
-	-	-	-	-	-	(3,967)	(3,967)	-
418	418	-	70,000	70,000	-	300,005	300,005	-
-	-	-	-	-	-	(309,705)	(309,705)	-
-	-	-	-	-	-	2,446	2,446	-
-	-	-	300,000	300,000	-	300,000	300,000	-
<u>418</u>	<u>418</u>	<u>-</u>	<u>370,000</u>	<u>370,000</u>	<u>-</u>	<u>292,746</u>	<u>292,746</u>	<u>-</u>
(22)	(22)	-	333,868	333,868	-	385,720	385,720	-
22	22	-	59,819	59,819	-	1,317,881	1,317,881	-
-	-	-	12,648	12,648	-	55,336	55,336	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,335</u>	<u>\$ 406,335</u>	<u>\$ -</u>	<u>\$ 1,758,937</u>	<u>\$ 1,758,937</u>	<u>\$ -</u>

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN ACCUMULATED DEFICIT
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$ 8,870
Sales and charges for services	<u>122,858</u>
Total operating revenues	<u>131,728</u>
Operating expenses:	
Personal services	145,036
Contract services	12,754
Materials and supplies	96,056
Depreciation	1,206
Other	<u>120</u>
Total operating expenses	<u>255,172</u>
Operating loss	<u>(123,444)</u>
Nonoperating revenues:	
Operating grants	91,157
Federal commodities	<u>14,436</u>
Total nonoperating revenues	<u>105,593</u>
Net loss before operating transfers	(17,851)
Operating transfers in	<u>9,500</u>
Net loss	(8,351)
Accumulated deficit, July 1	<u>(12,167)</u>
Accumulated deficit, June 30	<u>\$ (20,518)</u>

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$ 8,687
Cash received from sales and service charges	122,840
Cash payments for personal services.	(142,465)
Cash payments for contract services	(12,754)
Cash payments for materials and supplies	(85,706)
Cash payments for other operations	<u>(120)</u>
Net cash used in operating activities	<u>(109,518)</u>
Cash flows from noncapital financing activities:	
Cash received from operating grants	104,870
Cash received from transfers.	<u>9,500</u>
Net cash provided by noncapital financing activities.	<u>114,370</u>
Cash flows from capital financing activities:	
Cash payments for the acquisition of capital assets	<u>(1,758)</u>
Net cash used in capital financing activities	<u>(1,758)</u>
Net increase in cash and cash equivalents	3,094
Cash and cash equivalents at beginning of year	<u>2,630</u>
Cash and cash equivalents at end of year.	<u><u>\$ 5,724</u></u>
Reconciliation of operating loss	
to net cash used in operating activities:	
Operating loss.	\$ (123,444)
Adjustments to reconcile operating loss	
to net cash used in operating activities:	
Depreciation	1,206
Federal donated commodities	14,436
Changes in assets and liabilities:	
Increase in accounts receivable	(201)
Increase in materials and supplies inventory.	(641)
Increase in accrued wages and benefits	2,387
Decrease in compensated absences payable.	(1,106)
Increase in pension obligation payable.	1,034
Increase in due to other governments.	256
Decrease in deferred revenue	<u>(3,445)</u>
Net cash used in operating activities.	<u><u>\$ (109,518)</u></u>

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson-Milton Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 525th largest among the 740 public and community school districts in the state. Average daily membership at June 30, 2003 was 901. The District employs 67 certified employees and 51 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

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 significant accounting policies followed in the preparation of these financial statements are summarized below.

A. Reporting Entity

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity”. The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the GPFS 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

Component units are legally separate organizations for which the District is financially accountable. 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. The District has no component units. The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Area Cooperative Computerized Educational Service (ACCESS)

The District is a member of ACCESS, a not-for-profit computer service, jointly governed organization which provides computer services to the school districts within the boundaries of Mahoning and Columbiana Counties. Each District's superintendent serves as a representative on the Board which consists of approximately 24 member districts. However, the degree of control exercised by any participating school district is limited to its representation on the Board.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent Austintown Local School District. The fiscal agent will then remit the charges for services to Professional Risk Management (PRM), who acts in the capacity of a third-party administrator (TPA) for claims processing.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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.

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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 (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 (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 an expendable trust fund and agency funds. The expendable trust fund is accounted for in 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 funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in other fund types, would be recognized in the combined balance sheet.

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 funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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.

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. 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 taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2003 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2004 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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 is 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.

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. In proprietary funds, unused donated commodities are reported as deferred revenue.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: 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.

The proprietary funds are 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. The fair value of donated commodities used during the year is reported in the operating statements as an expense and a like amount is reported as donated commodities revenue.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2003 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 Mahoning 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. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2003.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 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 and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. 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. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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 prior to June 30, 2003.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 reserve to the 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 16 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 13 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year-end.

E. Cash and Investments

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

During fiscal 2003, the District's investments were limited to investments in 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. Nonparticipating investment contracts, such as 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, 2003.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those required to be assigned to another fund. Interest revenue credited to the general fund during fiscal 2003 amounted to \$22,347, which includes \$5,733 assigned from other District funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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.

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

F. 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 \$500. 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.

2. Proprietary Funds

Equipment reflected in these funds are 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. 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, fixtures and equipment	5-20

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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 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. 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 severance 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 or greater with at least ten years of service and all employees with at least twenty 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

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

Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. Fund Reserves/Designations

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. 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 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 amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

K. 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 show 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. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had no short-term interfund loans receivable and payable at June 30, 2003.
4. 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. The District had no long-term advances receivable and payable at June 30, 2003.

An analysis of interfund transactions is presented in Note 5.

L. Estimates

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

M. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventory in proprietary funds consist of expendable supplies held for consumption and food service items held for resale. Donated commodities which are still on hand at year-end are recorded as deferred revenue.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in fiscal 2003. Contributed capital in the enterprise funds at June 30, 2003 was \$10,475.

O. 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2003 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Emergency Levy	\$ 7,382
Management Information Systems	3,121
Disadvantaged Pupil Impact Aid	9,956
<u>Enterprise Fund</u>	
Food Service	25,595

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit fund balances in the Emergency Levy, Management Information Systems, and Disadvantaged Pupil Impact Aid special revenue funds are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit retained earnings in the Food Service enterprise fund is a result of accruing wage, benefit, and retirement obligations in accordance with GAAP. This deficit will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

B. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$ 18
<u>LIABILITIES</u>	
Accounts payable	316

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

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

Interim monies may be invested or deposited 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 or interest by the United States;

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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

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;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(20,139) and the bank balance was \$31,193. 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: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. 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, but not in the District's name. Investments in the STAR Ohio are not categorized as they are not evidenced by Securities that exist in physical or book entry form.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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

	Category 3	Fair Value
Repurchase agreement	\$1,903,485	\$1,903,485
Investment in STAR Ohio	-	858
Total investments	<u>\$1,903,485</u>	<u>\$1,904,343</u>

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

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

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 1,884,204	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,903,485)	1,903,485
Investment in STAR Ohio	(858)	858
GASB Statement No. 3	<u>\$ (20,139)</u>	<u>\$1,904,343</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 2003.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$109,505
<u>Special Revenue Funds</u>		
District Managed Activity	6,287	-
Management Information Systems	23,300	-
<u>Debt Service Fund</u>		
Bond Retirement	418	-
<u>Capital Projects Fund</u>		
Permanent Improvement	70,000	-
<u>Enterprise Fund</u>		
Food Service	<u>9,500</u>	<u>-</u>
Total	<u>\$109,505</u>	<u>\$109,505</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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 6 - PROPERTY TAXES - (Continued)

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 assessed value upon which the 2002 taxes were collected was \$140,298,199. Agricultural/residential and public utility/minerals real estate represented \$90,769,120 or 64.69% of this total, commercial & industrial real estate represented \$24,131,210 or 17.20% of this total, public utility tangible represented \$9,017,170 or 6.43% of this total and general tangible property represented \$16,380,699 or 11.68% of this total. The voted general tax rate at the fiscal year ended June 30, 2003 was \$47.70 per \$1,000.00 of assessed valuation for operations and \$2.40 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Mahoning County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Mahoning County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Mahoning County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2003. 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. There were no tax advances available at June 30, 2003.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts, and intergovernmental state and federal revenues (to the extent eligibility requirements have been met by fiscal year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. Taxes receivable are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. Intergovernmental receivables are collectible in full due to the stable condition of state programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$3,230,802
Accounts	8,366
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	1,383,975
Accounts	4,932
Due from other governments	25,658
<u>Debt Service Fund</u>	
Taxes - current and delinquent	30,209
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	291,770
<u>Enterprise Funds</u>	
Accounts	543

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, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2003</u>
Land/improvements	\$ 120,186	\$359,778	\$ -	\$ 479,964
Buildings/improvements	3,901,736	15,429	-	3,917,165
Furniture/equipment	937,147	143,982	(81,592)	999,537
Vehicles	<u>761,308</u>	<u>31,025</u>	<u>(45,906)</u>	<u>746,427</u>
Total	<u>\$5,720,377</u>	<u>\$550,214</u>	<u>\$(127,498)</u>	<u>\$6,143,093</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the proprietary fixed assets at June 30, 2003 follows:

Furniture and equipment	\$ 80,052
Less: accumulated depreciation	<u>(66,035)</u>
Net fixed assets	<u>\$ 14,017</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal 2002, the District entered into a capital lease for the acquisition of computers. This lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the lease was accounted for as an other financing source and a capital outlay expenditure in the General Fund. Capital lease payments have been reclassified and are reflected as debt service expenditures on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. The general fixed assets acquired by this capital lease have been capitalized in the general fixed assets account group in the amount of \$217,047, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability has been recorded in the general long-term obligations account group. Principal payments in fiscal 2003 totaled \$37,422. This amount is reflected as debt service principal retirement in the Permanent Improvement capital projects fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003.

Year Ending June 30	Computers
2004	\$ 49,841
2005	49,841
2006	<u>49,841</u>
Total future minimum lease payments	149,523
Less: amount representing interest	<u>(19,739)</u>
Present value of future minimum lease payments	<u><u>\$129,784</u></u>

NOTE 10 - LEASE - PURCHASE AGREEMENT

On June 5, 2003, the District entered into a \$307,000 lease-purchase agreement with the Columbus Regional Airport Authority to finance the acquisition of real property in the amount of 102.3 acres for the site of a new high school campus, the construction of pavement, and site improvements thereto. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the District. During fiscal year 2003, the District made no principal payments on the lease-purchase agreement. The first required principal payment is due on January 1, 2004.

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 land and land improvements have been capitalized in the general fixed assets account group in the amount of \$307,000. This amount represents the costs of the project funded by the lease-purchase agreement that were incurred prior to June 30, 2003.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 10 - LEASE - PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future principal lease payments required under the lease-purchase agreement as of June 30, 2003.

Fiscal Year Ending June 30	Amount
2004	\$ 6,000
2005	6,000
2006	7,000
2007	7,000
2008	7,000
2009 - 2013	40,000
2014 - 2018	47,000
2019 - 2023	57,000
2024 - 2028	67,000
2029 - 2032	63,000
Total	\$307,000

The interest payments are variable based upon the “TBMA Index”, which shall mean the rate of interest established as the weekly high grade market index comprised of 7-day tax exempt variable rate demand notes. The TBMA Index is published weekly and reset each Wednesday by TBMA-Municipal Market Data as the TBMA Municipal Swap Index, as determined by a Calculation Agent pursuant to the related Swap Agreement. In the event such rate is no longer determined, the TBMA Index will be deemed to be the Kenny Index (as defined in the ISDA 1992 Municipal Counterparty Definitions), and in the event the Kenny Index is no longer available, the related Swap Counterparty, in consultation with the Administrator, will select or calculate a comparable index.

Therefore, the future interest component of the lease payment is not reflected.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS

- A. The District has two long-term debt obligations outstanding at June 30, 2003. They include a general obligation bond and an energy conservation note. The general obligation bond outstanding, issued to provide funds for the acquisition of school buses, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment.

The energy conservation notes were issued pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

The following is a description of the District's long-term obligations outstanding as of June 30, 2003:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance July 1, 2002</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
General obligation bond	4.25-5.75%	09/01/04	\$ 60,000	\$(20,000)	\$ 40,000
Energy conservation notes	5.50%	06/01/13	<u>235,004</u>	<u>(15,000)</u>	<u>220,004</u>
Total			<u>\$295,004</u>	<u>\$(35,000)</u>	<u>\$260,004</u>

The following is a description of the District's future annual debt service requirements to amortize the general obligation bond outstanding at June 30, 2003:

<u>Fiscal Year Ending</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2004	\$20,000	\$1,720	\$21,720
2005	<u>20,000</u>	<u>345</u>	<u>20,345</u>
Total	<u>\$40,000</u>	<u>\$2,065</u>	<u>\$42,065</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's future annual debt service requirements to amortize the energy conservation notes outstanding at June 30, 2003:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2004	\$ 15,000	\$ 12,100	\$ 27,100
2005	20,000	11,275	31,275
2006	20,000	10,175	30,175
2007	20,000	9,075	29,075
2008	20,000	7,975	27,975
2009 - 2013	<u>125,004</u>	<u>21,725</u>	<u>146,729</u>
Total	<u>\$220,004</u>	<u>\$72,325</u>	<u>\$292,329</u>

- B.** During the year ended June 30, 2003, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2002</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2003</u>
Compensated absences	\$ 553,046	\$ -	\$ (23,277)	\$ 529,769
Pension benefit obligation	54,219	65,340	(54,219)	65,340
General obligation bonds	60,000	-	(20,000)	40,000
Energy conservation notes	235,004	-	(15,000)	220,004
Lease purchase agreement	-	307,000	-	307,000
Capital lease obligation	<u>167,206</u>	<u>-</u>	<u>(37,422)</u>	<u>129,784</u>
Total	<u>\$1,069,475</u>	<u>\$372,340</u>	<u>\$(149,918)</u>	<u>\$1,291,897</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

C. 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, and that energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$12,586,838, an unvoted debt margin of \$140,298, and an energy conservation debt margin of \$1,042,680.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment, and instruments. The comprehensive commercial insurance coverage limits are \$16,780,600 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

The District has a liability insurance coverage limit of \$1,000,000 per claim and \$5,000,000 annual aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Mahoning County Employee Insurance Consortium

The District has joined together with other school districts in Mahoning County to form the Mahoning County Employee Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 13 member school districts. The plan was organized to provide life insurance, health care and other benefits to its member organizations.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 12 - RISK MANAGEMENT - (Continued)

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts and claims flow. The District is responsible for paying health plan claims up to \$135,000 per individual per year. Any claims exceeding the \$135,000 is covered by the District's stop-loss carrier.

The District pays the insurance premiums for the classified employees. The District pays the health insurance premiums for the certified employees, except for \$10 per month for single coverage and \$25 per month for family coverage, which is paid by the employees.

The health and dental coverage is administered by Professional Risk Management, a third party administrator. National Insurance Services provides the life insurance coverage.

C. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 12 - RISK MANAGEMENT - (Continued)

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 13 - 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, 2003.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Total operating revenues	\$ 122,858	\$8,870	\$ 131,728
Total operating expenses before depreciation	249,897	4,069	253,966
Depreciation	1,206	-	1,206
Operating income (loss)	(128,245)	4,801	(123,444)
Operating grants	91,157	-	91,157
Federal donated commodities	14,436	-	14,436
Operating transfers in	9,500	-	9,500
Net income/(loss)	(13,152)	4,801	(8,351)
Net working capital	(19,453)	5,077	(14,376)
Total assets	20,580	5,077	25,657
Total liabilities	35,700	-	35,700
Contributed capital	10,475	-	10,475
Total equity/(deficit)	(15,120)	5,077	(10,043)

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - 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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute 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, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate of 14% for 2003, 8.17% was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$136,858, \$121,111, and \$123,004, respectively; 43.52% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$77,292 represents the unpaid contribution for fiscal year 2003.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$454,276, \$414,297, and \$438,128, respectively; 85.96% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$63,776 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

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% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$32,448 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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 5.83% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 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 \$71,206 during the 2003 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 16 - 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.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - 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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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 Uses**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$50,149	\$1,725	\$(22)	\$333,868
Net adjustment for revenue accruals	7,207	3,103	-	-
Net adjustment for expenditure accruals	3,091	(9,920)	-	3,664
Net adjustment for other financing sources/(uses)	(1,318)	2,601	-	7,000
Encumbrances (budget basis)	<u>34,230</u>	<u>17,545</u>	<u>-</u>	<u>45,504</u>
GAAP basis	<u>\$93,359</u>	<u>\$15,054</u>	<u>\$(22)</u>	<u>\$390,036</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE 17 - 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, 2003.

B. Litigation

There is no current litigation pending which would have a material effect on the financial statements.

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school funding scheme that is thorough and efficient ...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2002	\$ (13,078)	\$ -	\$ 364,284
Current year set-aside	129,270	129,270	-
Qualifying disbursements	<u>(219,654)</u>	<u>(171,201)</u>	<u>(100,000)</u>
Total	<u>\$(103,462)</u>	<u>\$ (41,931)</u>	<u>\$ 264,284</u>
Cash balance carried forward to FY 2004	<u><u>\$(103,462)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 264,284</u></u>

During fiscal year 2003, the District had qualifying disbursements for instructional materials that reduced the set-aside amount below zero. This amount may be used to reduce the set-aside requirement of future years for instructional materials.

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital maintenance reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

Subsequent to Senate Bill 345, which became effective April 10, 2001, the District has elected to maintain the budget stabilization fund. This amount is shown as a designation of fund balance in the general fund.

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$14,436		\$14,436
School Breakfast Program		10.553	\$19,865		\$19,865	
National School Lunch Program		10.555	79,312		79,312	
Total U.S. Department of Agriculture - Nutrition Cluster			99,177	14,436	99,177	14,436
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF-02 6B-SF-03	84.027	1,440 89,774		1,440 89,774	
Total Special Education Cluster			91,214		91,214	
Title I, Part A, ESEA	C1-S1-02 C1-S1-03	84.010	30,461 134,098		37,546 113,434	
Total Title I, Part A, ESEA			164,559		150,980	
Safe and Drug-Free Schools and Communities_State Grants	DR-S1-02 DR-S1-03	84.186	4,744		320 3,586	
Total Safe and Drug-Free Schools and Communities			4,744		3,906	
Eisenhower Professional Development State Grants	MS-S1-01	84.281	41		41	
Innovative Education Program Strategies	C2-S1-03	84.298	5,128		5,128	
Technology Literacy Challenge Fund Grants (Title II Part D)	TJ-S1-03	84.318	3,978		3,978	
Class Size Reduction	CR-S1-02	84.340	10,178		13,181	
School Renovation Grants	AT-SF-02 AT-S2-02	84.352	4,566 4,876		4,876	
Total School Renovation Grants			9,442		4,876	
Improving Teacher Quality State Grants (Title II Part A)	TR-S1-03	84.367	38,114		36,472	
Total U.S. Department of Education			327,398		309,776	
Totals			<u>\$426,575</u>	<u>\$14,436</u>	<u>\$408,953</u>	<u>\$14,436</u>

The accompanying notes to this schedule are an integral part of this schedule.

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
FISCAL YEAR ENDED JUNE 30, 2003**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Government's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

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

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

We have audited the financial statement of the Jackson Milton Local School District as of and for the year ended June 30, 2003, and have issued our report thereon dated February 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson Milton 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 financial statements and not to provide assurance on the internal control over financing 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.

Jackson Milton Local School District
Mahoning County
Independent Accountants' Report on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

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

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

Betty Montgomery
Auditor of State

February 24, 2004



Auditor of State Betty Montgomery

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

Jackson Milton Local School District
Mahoning County
14110 Mahoning Avenue
North Jackson, Ohio 44451

Compliance

We have audited the compliance of Jackson Milton 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 year ended June 30, 2003. Jackson Milton 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 Jackson Milton Local School District's management. Our responsibility is to express an opinion on Jackson Milton 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Jackson Milton 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 Jackson Milton Local School District's compliance with those requirements.

In our opinion, Jackson Milton Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of Jackson Milton 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 Jackson Milton 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.

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Jackson Milton Local School District
Mahoning County
Independent Accountants' Report on Compliance with Requirements
Applicable to Major Federal Programs and 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 operation that we consider to be material weaknesses.

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

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

Betty Montgomery
Auditor of State

February 24, 2004

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

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	None
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**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2003
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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1. Title of Finding

Finding Number	None
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	



**Auditor of State
Betty Montgomery**

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JACKSON MILTON LOCAL SCHOOL DISTRICT

MAHONING 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
APRIL 27, 2004**