



**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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District, Mahoning County, Ohio, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparisons for the General Fund and the Emergency Levy Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the basic financial statements, during the year ended June 30, 2005, the District implemented revisions to the recognition of pension and other postemployment benefit expenditures/expenses and liabilities by cost sharing employers as provided for in Governmental Accounting Standards Board Technical Bulletin 2004-2.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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 14, 2006

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Jackson-Milton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities decreased \$190,939 which represents an 11.51% decrease from 2004.
- General revenues accounted for \$7,552,816 in revenue or 85.98% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,231,396 or 14.02% of total revenues of \$8,784,212.
- The District had \$8,975,151 in expenses related to governmental activities; \$1,231,396 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,552,816 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and emergency levy fund. The general fund had \$6,284,167 in revenues and \$6,327,380 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance decreased \$43,213 from \$323,396 to \$280,183.
- The District's emergency levy fund had \$1,458,177 in revenues and \$1,470,422 in expenditures. During fiscal year 2005, the emergency levy fund's fund balance decreased \$12,245 from a balance of \$5,125 to a deficit of \$7,120.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and emergency levy fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and emergency levy fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-48 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,498,356	\$ 6,663,613
Capital assets	<u>1,809,271</u>	<u>1,778,715</u>
Total assets	<u>8,307,627</u>	<u>8,442,328</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,652,717	5,567,628
Long-term liabilities	<u>1,187,047</u>	<u>1,215,898</u>
Total liabilities	<u>6,839,764</u>	<u>6,783,526</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,337,872	1,163,129
Restricted	370,851	319,281
Unrestricted (deficit)	<u>(240,860)</u>	<u>176,392</u>
Total net assets	<u>\$ 1,467,863</u>	<u>\$ 1,658,802</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$1,467,863. Of this total, \$370,851 is restricted in use.

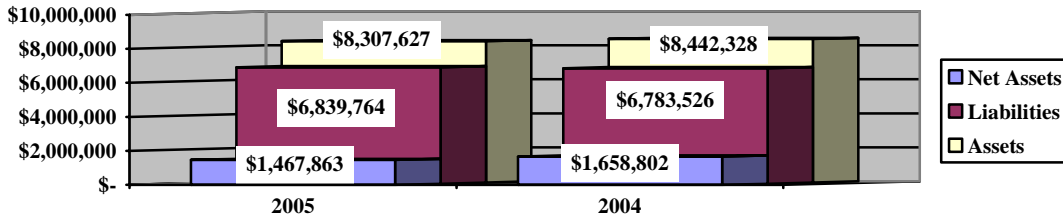
**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

At year-end, capital assets represented 21.78% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,337,872. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$370,851, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$240,860.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2005 and 2004.

**Change in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 372,569	\$ 339,135
Operating grants and contributions	809,994	676,978
Capital grants and contributions	48,833	39,879
General revenues:		
Property taxes	4,451,101	4,445,741
Grants and entitlements	3,014,783	3,002,536
Investment earnings	20,924	12,776
Other	66,008	82,204
<b>Total revenues</b>	<b>8,784,212</b>	<b>8,599,249</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

**Change in Net Assets**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 4,116,320	\$ 4,112,216
Special	922,833	741,232
Vocational	214,103	190,649
Other	9,696	-
Support services:		
Pupil	183,678	192,899
Instructional staff	249,147	229,819
Board of education	78,829	79,128
Administration	714,532	695,497
Fiscal	385,071	383,294
Operations and maintenance	749,591	716,656
Pupil transportation	731,045	593,291
Food service operations	239,807	264,442
Operations of non-instructional services	23,689	-
Extracurricular activities	338,772	316,336
Interest and fiscal charges	<u>18,038</u>	<u>23,239</u>
Total expenses	<u>8,975,151</u>	<u>8,538,698</u>
Change in net assets	(190,939)	60,551
Net assets at beginning of year	<u>1,658,802</u>	<u>1,598,251</u>
Net assets at end of year	<u><u>\$ 1,467,863</u></u>	<u><u>\$ 1,658,802</u></u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$190,939. Total governmental expenses of \$8,975,151 were offset by program revenues of \$1,231,396 and general revenues of \$7,552,816. Program revenues supported 13.72% of the total governmental expenses.

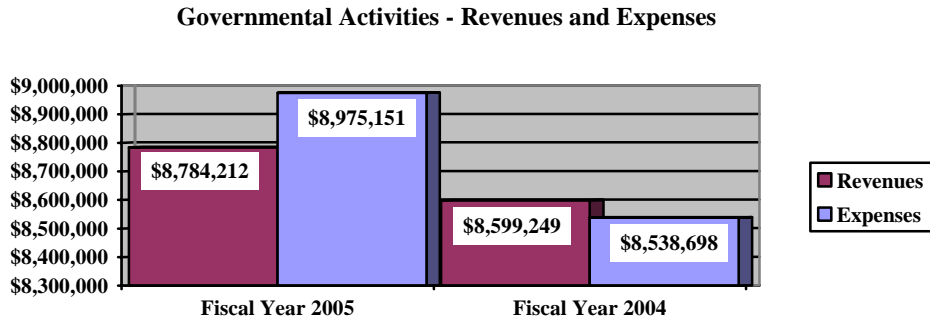
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.99% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,262,952 or 58.64% of total governmental expenses for fiscal 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	<b>Governmental Activities</b>			
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,116,320	\$ 3,560,246	\$ 4,112,216	\$ 3,666,428
Special	922,833	619,479	741,232	496,139
Vocational	214,103	214,103	190,649	190,649
Other	9,696	9,696	-	-
Support services:				
Pupil	183,678	183,678	192,899	191,841
Instructional staff	249,147	235,704	229,819	212,094
Board of education	78,829	78,829	79,128	79,128
Administration	714,532	714,532	695,497	693,407
Fiscal	385,071	380,071	383,294	378,294
Operations and maintenance	749,591	749,591	716,656	716,656
Pupil transportation	731,045	731,045	593,291	593,291
Food service operations	239,807	(36,698)	264,442	(7,580)
Operations of non-instructional services	23,689	23,689	-	-
Extracurricular activities	338,772	261,752	316,336	249,120
Interest and fiscal charges	18,038	18,038	23,239	23,239
<b>Total expenses</b>	<u>\$ 8,975,151</u>	<u>\$ 7,743,755</u>	<u>\$ 8,538,698</u>	<u>\$ 7,482,706</u>

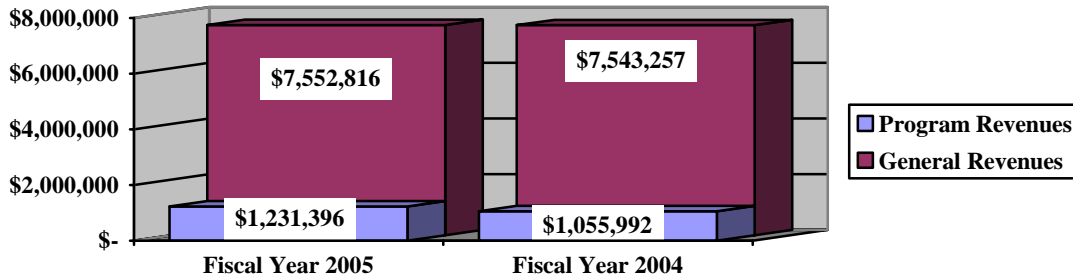
The dependence upon tax and other general revenues for governmental activities is apparent, 83.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.28%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$378,263, which is lower than last year's total of \$474,781. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance (deficit) <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	<u>(Decrease)</u>	<u>Percentage Change</u>
General	\$ 280,183	\$ 323,396	\$ (43,213)	(13.36) %
Emergency Levy	(7,120)	5,125	(12,245)	(238.93) %
Other Governmental	<u>105,200</u>	<u>146,260</u>	<u>(41,060)</u>	(28.07) %
Total	<u>\$ 378,263</u>	<u>\$ 474,781</u>	<u>\$ (96,518)</u>	(20.33) %

**General Fund**

The District's general fund balance decreased \$43,213 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The decrease in fund balance can be attributed to several items related to transfers out to other funds. Revenues exceed expenditures for fiscal year 2005 by \$54,634. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,002,336	\$ 2,933,108	\$ 69,228	2.36 %
Tuition	222,942	128,755	94,187	73.15 %
Earnings on investments	20,924	12,776	8,148	63.78 %
Intergovernmental	3,004,597	2,992,973	11,624	0.39 %
Other revenues	<u>33,368</u>	<u>33,825</u>	<u>(457)</u>	(1.35) %
Total	<u>\$ 6,284,167</u>	<u>\$ 6,101,437</u>	<u>\$ 182,730</u>	2.99 %
<b><u>Expenditures</u></b>				
Instruction	\$ 3,272,432	\$ 2,995,430	\$ 277,002	9.25 %
Support services	2,741,306	2,750,873	(9,567)	(0.35) %
Extracurricular activities	<u>215,795</u>	<u>208,483</u>	<u>7,312</u>	3.51 %
Total	<u>\$ 6,229,533</u>	<u>\$ 5,954,786</u>	<u>\$ 274,747</u>	4.61 %

***Emergency Levy Fund***

The District's emergency levy fund had \$1,458,177 in revenues and \$1,470,422 in expenditures. During fiscal year 2005, the emergency levy fund's fund balance decreased \$12,245 from a balance of \$5,125 to a deficit of \$7,120.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,072,008 and final budgeted revenues and other financing sources were \$6,293,842. Actual revenues and other financing sources for fiscal 2005 was \$6,296,292. This represents a \$2,450 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$6,197,581 were increased to \$6,345,123 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$6,344,323, which was \$800 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2005, the District had \$1,809,271 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 465,231	\$ 465,231
Land improvements	205,467	226,800
Building and improvements	630,754	528,001
Furniture and equipment	132,404	180,117
Vehicles	375,415	378,566
 Total	 \$ 1,809,271	 \$ 1,778,715

The overall increase in capital assets of \$30,556 is due to additions of \$232,859 in capital assets exceeding depreciation expense of \$200,654 and disposals of \$1,649 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2005, the District had \$185,004 in energy conservation notes outstanding. Of this total, \$20,000 is due within one year and \$165,004 is due within greater than one year. The following table summarizes the notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2005	2004
Energy conservation notes	\$ 185,004	\$ 205,004
General obligation bonds	-	20,000
 Total	 \$ 185,004	 \$ 225,004

At June 30, 2005, the District's overall legal debt margin was \$12,982,372, and an unvoted debt margin of \$144,249.

See Note 12 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

**Current Financial Related Activities**

The District faces many challenges in the future. The District relies heavily upon State support for revenue. With the implementation of HB66 and the loss of personal property tax revenue the District will be forced to ask local taxpayers for more money. The District is also on a fixed transition guarantee funding formula based on fiscal year 2005 levels. There is a chance this funding level will cease and the local taxpayers will once again have to make up the difference of approximately four mills. The District is in a situation where an operating levy may have to be approved by voters in 2006 or 2007. Without the passage of a levy, future reductions appear inevitable.

The District is in the midst of a building project. A new 6-12 facility is on the May 6, 2006 ballot. Approximately \$14.5 million will be spent on this building at a cost of 5.8 mills for the voters. If passed, construction is expected to begin in two years. The building will be designed to meet OSFC guidelines for reimbursement in future years.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. 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. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District has been adversely affected by open enrollment and community school education options. In response, the Board of Education declared the District open to every district in the State. This move has softened the financial blow and is beginning to offset some of the financial loss.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. John C. Zinger, Treasurer, Jackson-Milton Local School District, 14110 Mahoning Avenue, North Jackson, Ohio 44451.



BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 1,616,362
Receivables:	
Taxes . . . . .	4,834,026
Accounts . . . . .	6,134
Intergovernmental . . . . .	27,281
Prepayments . . . . .	9,764
Materials and supplies inventory . . . . .	4,789
Capital assets:	
Land . . . . .	465,231
Depreciable capital assets, net . . . . .	1,344,040
Capital assets, net. . . . .	1,809,271
 Total assets. . . . .	 8,307,627
<b>Liabilities:</b>	
Accounts payable. . . . .	48,309
Accrued wages and benefits . . . . .	885,117
Pension obligation payable. . . . .	170,366
Intergovernmental payable . . . . .	33,505
Deferred revenue . . . . .	4,514,612
Accrued interest payable . . . . .	808
Long-term liabilities:	
Due within one year. . . . .	252,874
Due within more than one year . . . . .	934,173
Total liabilities . . . . .	6,839,764
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,337,872
Restricted for:	
Capital projects . . . . .	19,857
Debt service. . . . .	2,135
State funded programs . . . . .	5,193
Federally funded programs . . . . .	4,131
Student activities . . . . .	45,161
Public school support . . . . .	30,090
Other purposes . . . . .	264,284
Unrestricted (deficit) . . . . .	(240,860)
Total net assets . . . . .	\$ 1,467,863

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 4,116,320	\$ 242,745	\$ 264,496	\$ 48,833	\$ (3,560,246)
Special . . . . .	922,833	-	303,354	-	(619,479)
Vocational . . . . .	214,103	-	-	-	(214,103)
Other . . . . .	9,696	-	-	-	(9,696)
Support services:					
Pupil . . . . .	183,678	-	-	-	(183,678)
Instructional staff . . . . .	249,147	-	13,443	-	(235,704)
Board of education . . . . .	78,829	-	-	-	(78,829)
Administration . . . . .	714,532	-	-	-	(714,532)
Fiscal . . . . .	385,071	-	5,000	-	(380,071)
Operations and maintenance . . . . .	749,591	-	-	-	(749,591)
Pupil transportation . . . . .	731,045	-	-	-	(731,045)
Operation of non-instructional services:					
Food service operations . . . . .	239,807	129,824	146,681	-	36,698
Other non-instructional services . . . . .	23,689	-	-	-	(23,689)
Extracurricular activities . . . . .	338,772	-	77,020	-	(261,752)
Interest and fiscal charges . . . . .	18,038	-	-	-	(18,038)
Total governmental activities . . . . .	<u>\$ 8,975,151</u>	<u>\$ 372,569</u>	<u>\$ 809,994</u>	<u>\$ 48,833</u>	<u>(7,743,755)</u>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					2,908,006
Special revenue . . . . .					1,249,507
Debt service . . . . .					30,123
Capital projects . . . . .					263,465
Grants and entitlements not restricted					
to specific programs . . . . .					3,014,783
Investment earnings . . . . .					20,924
Miscellaneous . . . . .					66,008
Total general revenues . . . . .					<u>7,552,816</u>
Change in net assets . . . . .					(190,939)
<b>Net assets at beginning of year . . . . .</b>					<u>1,658,802</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 1,467,863</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,459,918	\$ -	\$ 156,444	\$ 1,616,362
Receivables:				
Taxes. . . . .	3,184,164	1,342,491	307,371	4,834,026
Accounts . . . . .	4,565	-	1,569	6,134
Intergovernmental . . . . .	-	-	27,281	27,281
Prepayments . . . . .	9,764	-	-	9,764
Materials and supplies inventory . . . . .	-	-	4,789	4,789
Total assets . . . . .	<u>\$ 4,658,411</u>	<u>\$ 1,342,491</u>	<u>\$ 497,454</u>	<u>\$ 6,498,356</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 35,486	\$ -	\$ 12,823	\$ 48,309
Accrued wages and benefits . . . . .	827,902	-	57,214	885,116
Compensated absences payable . . . . .	148,770	-	-	148,770
Pension obligation payable. . . . .	157,921	-	12,445	170,366
Intergovernmental payable. . . . .	23,985	7,120	2,401	33,506
Deferred revenue. . . . .	3,184,164	1,342,491	307,371	4,834,026
Total liabilities . . . . .	<u>4,378,228</u>	<u>1,349,611</u>	<u>392,254</u>	<u>6,120,093</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	2,010	-	3,284	5,294
Reserved for materials and supplies inventory. . . . .	-	-	4,789	4,789
Reserved for prepayments . . . . .	9,764	-	-	9,764
Unreserved:				
Designation for budget stabilization. . . . .	264,284	-	-	264,284
Undesignated (deficit), reported in:				
General fund . . . . .	4,125	-	-	4,125
Special revenue funds. . . . .	-	(7,120)	96,801	89,681
Capital projects funds. . . . .	-	-	326	326
Total fund balances (deficit) . . . . .	<u>280,183</u>	<u>(7,120)</u>	<u>105,200</u>	<u>378,263</u>
Total liabilities and fund balances . . . . .	<u>\$ 4,658,411</u>	<u>\$ 1,342,491</u>	<u>\$ 497,454</u>	<u>\$ 6,498,356</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$ 378,263
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,809,271
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 319,414	
Total		319,414
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	566,878	
Energy conservation notes	185,004	
Capital lease obligation	46,395	
Lease purchase agreement	240,000	
Accrued interest payable	808	
Total		(1,039,085)
<b>Net assets of governmental activities</b>		<b>\$ 1,467,863</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Emergency Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,002,336	\$ 1,293,263	\$ 303,223	\$ 4,598,822
Tuition. . . . .	222,942	-	-	222,942
Earnings on investments. . . . .	20,924	-	-	20,924
Charges for services. . . . .	-	-	129,824	129,824
Extracurricular. . . . .	-	-	77,020	77,020
Classroom materials and fees . . . . .	-	-	17,228	17,228
Other local revenues. . . . .	33,368	-	35,216	68,584
Intergovernmental - Intermediate. . . . .	17,935	-	-	17,935
Intergovernmental - State. . . . .	2,986,662	164,914	126,099	3,277,675
Intergovernmental - Federal . . . . .	-	-	502,614	502,614
Total revenue . . . . .	<u>6,284,167</u>	<u>1,458,177</u>	<u>1,191,224</u>	<u>8,933,568</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,484,361	1,436,513	87,952	4,008,826
Special. . . . .	597,397	-	291,278	888,675
Vocational. . . . .	190,674	-	15,187	205,861
Other. . . . .	-	-	9,377	9,377
Support services:				
Pupil. . . . .	177,102	-	-	177,102
Instructional staff . . . . .	186,574	-	33,470	220,044
Board of education . . . . .	76,235	-	-	76,235
Administration. . . . .	683,732	-	545	684,277
Fiscal . . . . .	302,771	33,909	35,031	371,711
Operations and maintenance. . . . .	706,472	-	8,559	715,031
Pupil transportation . . . . .	608,420	-	98,236	706,656
Operation of non-instructional services:				
Food service operations . . . . .	-	-	230,994	230,994
Other non-instructional services. . . . .	-	-	22,923	22,923
Extracurricular activities. . . . .	215,795	-	110,141	325,936
Facilities acquisition and construction . . . . .	-	-	223,747	223,747
Debt service:				
Principal retirement . . . . .	-	-	144,187	144,187
Interest and fiscal charges . . . . .	-	-	18,504	18,504
Total expenditures . . . . .	<u>6,229,533</u>	<u>1,470,422</u>	<u>1,330,131</u>	<u>9,030,086</u>
Excess of revenues over (under) expenditures . . . . .	<u>54,634</u>	<u>(12,245)</u>	<u>(138,907)</u>	<u>(96,518)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	97,847	97,847
Transfers (out). . . . .	<u>(97,847)</u>	<u>-</u>	<u>-</u>	<u>(97,847)</u>
Total other financing sources (uses) . . . . .	<u>(97,847)</u>	<u>-</u>	<u>97,847</u>	<u>-</u>
Net change in fund balances . . . . .	(43,213)	(12,245)	(41,060)	(96,518)
<b>Fund balances at beginning of year (restated) . . . . .</b>				
	<u>323,396</u>	<u>5,125</u>	<u>146,260</u>	<u>474,781</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 280,183</u>	<u>\$ (7,120)</u>	<u>\$ 105,200</u>	<u>\$ 378,263</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

<b>Net change in fund balances - total governmental funds</b>	\$	(96,518)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$232,859) exceed depreciation expense (\$200,654) in the current period.		32,205
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals, sales, trade-ins and donations) is to decrease net assets.		(1,649)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(149,356)
Repayment of bond, note, capital lease, and lease purchase principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		144,187
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		466
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(120,274)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>(190,939)</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,895,389	\$ 3,001,168	\$ 3,002,336	\$ 1,168
Tuition. . . . .	215,000	222,855	222,942	87
Earnings on investments. . . . .	20,179	20,916	20,924	8
Other local revenues . . . . .	38,956	40,379	40,395	16
Intergovernmental - Intermediate . . . . .	17,296	17,928	17,935	7
Intergovernmental - State . . . . .	2,880,272	2,985,500	2,986,662	1,162
Total revenue . . . . .	<u>6,067,092</u>	<u>6,288,746</u>	<u>6,291,194</u>	<u>2,448</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,325,380	2,380,739	2,380,438	301
Special. . . . .	579,398	593,191	593,116	75
Vocational. . . . .	187,537	192,002	191,978	24
Support services:				
Pupil. . . . .	293,402	300,387	300,349	38
Instructional staff . . . . .	179,533	183,807	183,784	23
Board of education . . . . .	59,936	61,363	61,355	8
Administration. . . . .	657,160	672,805	672,720	85
Fiscal . . . . .	297,144	304,218	304,180	38
Operations and maintenance. . . . .	700,959	717,646	717,556	90
Pupil transportation . . . . .	605,429	619,842	619,764	78
Extracurricular activities. . . . .	215,984	221,126	221,098	28
Total expenditures . . . . .	<u>6,101,862</u>	<u>6,247,126</u>	<u>6,246,338</u>	<u>788</u>
Excess of revenues over (under) expenditures. . . . .	<u>(34,770)</u>	<u>41,620</u>	<u>44,856</u>	<u>3,236</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	3,590	3,722	3,723	1
Refund of prior year receipts. . . . .	(135)	(138)	(138)	-
Transfers (out) . . . . .	(95,584)	(97,859)	(97,847)	12
Sale of capital assets . . . . .	1,326	1,374	1,375	1
Total other financing sources (uses) . . . . .	<u>(90,803)</u>	<u>(92,901)</u>	<u>(92,887)</u>	<u>14</u>
Net change in fund balance . . . . .	(125,573)	(51,281)	(48,031)	3,250
<b>Fund balance at beginning of year. . . . .</b>	1,447,832	1,447,832	1,447,832	-
<b>Prior year encumbrances appropriated . . . . .</b>	38,603	38,603	38,603	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,360,862</u>	<u>\$ 1,435,154</u>	<u>\$ 1,438,404</u>	<u>\$ 3,250</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
EMERGENCY LEVY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,233,972	\$ 1,293,263	\$ 1,293,263	\$ -
Intergovernmental - State . . . . .	157,353	164,914	164,914	-
Total revenue . . . . .	<u>1,391,325</u>	<u>1,458,177</u>	<u>1,458,177</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	1,371,715	1,437,026	1,437,026	-
Support services:				
Fiscal . . . . .	32,368	33,909	33,909	-
Total expenditures . . . . .	<u>1,404,083</u>	<u>1,470,935</u>	<u>1,470,935</u>	<u>-</u>
Net change in fund balance . . . . .	(12,758)	(12,758)	(12,758)	-
<b>Fund balance at beginning of year . . . . .</b>	<u>12,758</u>	<u>12,758</u>	<u>12,758</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 4,891	\$ 13,331
Total assets. . . . .	4,891	\$ 13,331
<b>Liabilities:</b>		
Accounts payable. . . . .	500	\$ -
Due to students . . . . .	-	13,331
Total liabilities . . . . .	500	\$ 13,331
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	4,391	
Total net assets . . . . .	\$ 4,391	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 18,997
Total additions. . . . .	18,997
<b>Deductions:</b>	
Scholarships awarded . . . . .	26,694
Change in net assets . . . . .	(7,697)
<b>Net assets at beginning of year . . . . .</b>	<b>12,088</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 4,391</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**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 519<sup>th</sup> largest among the 614 public school districts in the state. Average daily membership at June 30, 2005 was 898. The District employs 66 certified employees and 48 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 basic financial statements 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 on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool, and student related activities of the District.

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; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System (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 possess 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.

*PUBLIC ENTITY RISK POOLS*

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 a 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.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Emergency Levy Fund* - A fund provided to account for the proceeds from a special levy. Such levy is necessary to satisfy a district's emergency needs or to prevent school closings.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs; (b) financial resources to be used for the acquisition, construction or improvement of capital facilities; and (c) grants and other resources whose use is restricted to a particular purpose.

*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. The District has no proprietary funds.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and unclaimed monies.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. 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 2005 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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 budget figures, as shown in the accompanying budgetary statements reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
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. 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 totals.
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. Appropriations 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, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statements reflect the original and final appropriation amounts including all amendments and modifications.
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.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

The District has invested funds in STAR Ohio during fiscal 2005. 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, 2005.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$20,924, which includes \$2,544 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

Governmental capital assets are those assets generally related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2005, the District maintained a capitalization threshold of \$2,500. Improvements are capitalized, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess any infrastructure.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the Statement of Net Assets. The District has no interfund balances.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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 June 30, 2005, 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 50 with at least ten years of service and all employees with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves/Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, and prepayments. A portion of fund balance has been designated for budget stabilization.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve and capital acquisition reserve. These reserves are required by state statute. The District has no restricted assets in the general fund. A schedule of statutory reserves is presented in Note 18.

**Q. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	Emergency <u>Levy</u>	Other <u>Governmental</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 392,334	\$ 5,125	\$ 153,241	\$ 550,700
GASB Technical Bulletin No. 2004-2	<u>(68,938)</u>	<u>-</u>	<u>(6,981)</u>	<u>(75,919)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 323,396</u>	<u>\$ 5,125</u>	<u>\$ 146,260</u>	<u>\$ 474,781</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Major Fund</u>	<u>Deficit</u>
Emergency Levy	\$ 7,120
 <u>Nonmajor Funds</u>	
Management Information Systems	3,480
Title I	12,352
Improving Teacher Quality	2,781

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 moneys 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 or deposit accounts including passbook accounts.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

Protection of 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 to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date 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 interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$1,633,701. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2005, \$1,666,117 of the District’s bank balance of \$1,668,533 was exposed to custodial risk as discussed below, while \$2,416 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**B. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 883	\$ 883
Total	<u>\$ 883</u>	<u>\$ 883</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 883	100.00%
Total	<u>\$ 883</u>	<u>100.00%</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,633,701
Investments	<u>883</u>
Total	<u>\$ 1,634,584</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,616,362
Private-purpose trust funds	4,891
Agency funds	<u>13,331</u>
Total	<u>\$ 1,634,584</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from General fund to:	
Nonmajor Governmental Funds	\$ 97,847

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financials. All transfers were made in compliance with Ohio Revised code Sections 5705.14, 5705.15 and 5705.16.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. 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. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. There was no tax advances available at June 30, 2005.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 118,072,400	83.16	\$ 119,638,550	82.90
Public utility personal	8,706,870	6.13	8,665,570	6.01
Tangible personal property	<u>15,207,102</u>	<u>10.71</u>	<u>15,994,454</u>	<u>11.09</u>
Total	<u>\$ 141,986,372</u>	<u>100.00</u>	<u>\$ 144,298,574</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations		\$47.35		\$47.35
Permanent improvements		\$2.40		\$2.40

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 4,834,026
Accounts	6,134
Intergovernmental	<u>27,281</u>
Total	<u>\$ 4,867,441</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance			Balance
	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2005</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 465,231	\$ -	\$ -	\$ 465,231
Total capital assets, not being depreciated	<u>465,231</u>	<u>-</u>	<u>-</u>	<u>465,231</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	407,395	-	-	407,395
Buildings and improvements	3,258,408	159,104	-	3,417,512
Furniture and equipment	1,140,176	18,095	-	1,158,271
Vehicles	<u>864,991</u>	<u>55,660</u>	<u>(16,492)</u>	<u>904,159</u>
Total capital assets, being depreciated	<u>5,670,970</u>	<u>232,859</u>	<u>(16,492)</u>	<u>5,887,337</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(180,595)	(21,333)	-	(201,928)
Buildings and improvements	(2,730,407)	(56,351)	-	(2,786,758)
Furniture and equipment	(960,059)	(65,808)	-	(1,025,867)
Vehicles	<u>(486,425)</u>	<u>(57,162)</u>	<u>14,843</u>	<u>(528,744)</u>
Total accumulated depreciation	<u>(4,357,486)</u>	<u>(200,654)</u>	<u>14,843</u>	<u>(4,543,297)</u>
Governmental activities capital assets, net	<u>\$ 1,778,715</u>	<u>\$ 32,205</u>	<u>\$ (1,649)</u>	<u>\$ 1,809,271</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 101,225
Vocational	550

Support Services:

Instructional staff	18,582
Administration	214
Operations and maintenance	20,890
Pupil transportation	57,162
Extracurricular Activities	1,775
Food service operations	<u>256</u>
Total depreciation expense	<u>\$ 200,654</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District entered into a lease for the acquisition of computers. This lease agreement 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 benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$217,047. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$43,187 paid by the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 49,841
Total minimum lease payments	49,841
Less: amount representing interest	<u>(3,446)</u>
Total	<u>\$ 46,395</u>

**NOTE 10 - OPERATING LEASE - LESEE DISCLOSURE**

The District is the lessee of copy machines under a noncancellable operating lease. The operating lease was for a term of sixty-six months. The future minimum lease payments as of June 30, 2005 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	<u>\$ 4,455</u>
Total	<u>\$ 4,455</u>

**NOTE 11 - 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 2005, the District made \$61,000 of principal payments on the lease-purchase agreement.

A liability in the amount of the present value of minimum lease payments has been recorded on the statement of net assets. Capital assets consisting of land and land improvements have been capitalized in the amount of \$307,000.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 11 - 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, 2005.

Fiscal Year Ending June 30	Amount
2006	\$ 7,000
2007	7,000
2008	7,000
2009	7,000
2010	8,000
2011 - 2015	43,000
2016 - 2020	51,000
2021 - 2025	61,000
2026- 2029	49,000
Total	\$ 240,000

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.

**NOTE 12 - LONG-TERM OBLIGATIONS**

- A. The District has two long-term debt obligations outstanding at June 30, 2005. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a description of the District's long-term obligations outstanding as of June 30, 2005:

	Interest Rate	Maturity Date	Balance Outstanding June 30, 2004	Additions	Reductions	Balance Outstanding June 30, 2005	Amounts Due in One Year
<b>Governmental Activities:</b>							
General obligation bond	4.25-5.75%	09/01/04	\$ 20,000	\$ -	\$ (20,000)	\$ -	\$ -
Energy conservation notes	5.50%	06/01/13	<u>205,004</u>	<u>-</u>	<u>(20,000)</u>	<u>185,004</u>	<u>20,000</u>
Total long-term obligations, governmental activities			<u>\$ 225,004</u>	<u>\$ -</u>	<u>\$ (40,000)</u>	<u>\$ 185,004</u>	<u>\$ 20,000</u>

The following is a description of the District's future annual debt service requirements to amortize the energy conservation notes outstanding at June 30, 2005:

Fiscal Year Ending	Principal on Bond	Interest on Bond	Total
2006	\$ 20,000	\$ 10,175	\$ 30,175
2007	20,000	9,075	29,075
2008	20,000	7,975	27,975
2009	20,000	6,875	26,875
2010	20,000	4,950	24,950
2011 - 2013	<u>85,004</u>	<u>9,900</u>	<u>94,904</u>
Total	<u>\$ 185,004</u>	<u>\$ 48,950</u>	<u>\$ 233,954</u>

**B.** During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due in One Year
<b>Governmental Type Activities</b>					
Compensated absences payable	\$ 600,312	\$175,611	\$ (60,275)	\$ 715,648	\$ 179,479
General obligation bonds	20,000	-	(20,000)	-	-
Energy conservation notes	205,004	-	(20,000)	185,004	20,000
Lease purchase agreement	301,000	-	(61,000)	240,000	7,000
Capital lease obligation	<u>89,582</u>	<u>-</u>	<u>(43,187)</u>	<u>46,395</u>	<u>46,395</u>
Total business-type activities long-term liabilities	<u>\$ 1,215,898</u>	<u>\$175,611</u>	<u>\$ (204,462)</u>	<u>\$ 1,187,047</u>	<u>\$ 252,874</u>



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 12 - 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.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$12,982,372, and an unvoted debt margin of \$144,249.

**NOTE 13 - 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 School Employees Insurance Consortium**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care, and other benefits to its member organizations.

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 claims 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 13 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (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.

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.

**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 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to 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, 2005, 2004, and 2003 were \$138,214, \$134,450, and \$136,858, respectively; 46.42% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$74,052 represents the unpaid contribution for fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**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, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

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. 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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary 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, 2005, 2004, and 2003 were \$469,389, \$449,219, and \$454,276, respectively; 84.26% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$73,864 represents the unpaid contribution for fiscal year 2005. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,022 made by the District and \$3,013 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 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.

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 \$33,528 during fiscal 2005.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 3.43% 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 2005, the minimum pay has been established at \$27,400. 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, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$67,713 during the 2005 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	General Fund	Emergency Levy Fund
Budget basis	\$ (48,031)	\$ (12,758)
Net adjustment for revenue accruals	(7,027)	-
Net adjustment for expenditure accruals	(4,709)	513
Net adjustment for other financing sources/uses	(4,960)	-
Adjustment for encumbrances	21,514	-
GAAP basis	\$ (43,213)	\$ (12,245)

**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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 17 - CONTINGENCIES - (Continued)**

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**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.

**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, 2005, 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, 2004	\$ (191,792)	\$ -	\$ 264,284
Current year set-aside requirement	125,201	125,201	-
Qualifying disbursements	<u>(129,407)</u>	<u>(467,904)</u>	<u>-</u>
Total	<u>\$ (195,998)</u>	<u>\$ (342,703)</u>	<u>\$ 264,284</u>
Cash balance carried forward to FY2006	<u>\$ (195,998)</u>	<u>\$ -</u>	<u>\$ 264,284</u>

The District had qualifying disbursements during the year that reduced the instructional materials and capital maintenance set-aside amounts below zero. The negative amount for the instructional materials set-aside may be used to offset set-aside requirements of future years and, therefore, is presented as being carried forward to fiscal year 2006. The negative amount for the capital maintenance set-aside may not be used to offset set-aside requirements of future years and, therefore, is not presented as being carried forward to fiscal year 2006.

A schedule of designated assets at June 30, 2005 is as follows:

Amount designated for budget stabilization	<u>\$ 264,284</u>
Total designated assets	<u>\$ 264,284</u>

**NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT**

On the May 6, 2006 ballot is a 5.8 mill levy for the construction of a new facility for grades 6-12 at an approximate cost of \$14,500,000.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Milton Local School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 14, 2006, wherein we noted the District restated fund balances due to the implementation of Technical Bulletin No. 2004-2. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 14, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

**Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Jackson Milton Local School District  
Mahoning County  
Independent Accountants' Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Education. It is not intended for 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 14, 2006





**Auditor of State  
Betty Montgomery**

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

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800-282-0370

Facsimile 614-466-4490

**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  
MAY 4, 2006**