

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

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

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Jackson Local School District  
Stark County  
7984 Fulton Drive, NW  
Massillon, Ohio 44646

To the Board of Education:

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

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

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

As more fully discussed in Note O in the general purpose financial statements, certain errors, resulting in the overstatement of fixed assets in the Enterprise funds and General Fixed Asset Account Group were discovered during the current year. The beginning balances for the Enterprise funds and General Fixed Asset Account Group were restated as of July 1, 1998.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



**Jim Petro**  
Auditor of State

January 27, 2000

Jackson Local School District  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types		Account Groups			Totals (Memorandum Only)		
	Special Revenue		Debt Service		Capital Projects		Enterprise Service		Internal Trust and Agency		General		Fixed Assets	Long-Term Obligations
<b>ASSETS AND OTHER DEBITS:</b>														
<b>Assets:</b>														
Equity in Pooled Cash and Investments	\$6,105,579	\$466,745	\$1,159,610	\$474,719	\$69,738	\$0	\$174,741	\$0	\$0	\$0	\$0	\$0	\$8,451,132	
Cash in Segregated Account	0	0	0	5,632	0	0	0	0	0	0	0	0	5,632	
<b>Receivables</b>														
Taxes	22,492,194	0	1,546,208	537,366	0	0	0	0	0	0	0	0	24,575,768	
Accounts	11,081	0	0	0	40	0	0	0	0	0	0	0	11,121	
Intergovernmental	2,286	8,460	0	0	17,817	0	0	0	0	0	0	0	28,563	
Interfund	67,943	0	0	0	0	0	0	0	0	0	0	0	67,943	
Materials and Supplies Inventory	171,717	0	0	0	29,913	0	0	0	0	0	0	0	201,630	
Inventory for Resale	0	0	0	0	15,199	0	0	0	0	0	0	0	15,199	
Prepaid Items	2,795	0	0	0	0	0	0	0	0	0	0	0	2,795	
<b>Restricted Assets:</b>														
Equity in Pooled Cash and Investments	415,985	0	0	0	0	0	0	0	0	0	0	0	415,985	
<b>Fixed Assets</b>														
(Net where applicable of Accumulated Depreciation)	0	0	0	0	253,939	0	0	39,857,125	0	0	0	0	40,111,064	
<b>Other Debits:</b>														
Amount available in debt service	0	0	0	0	0	0	0	0	0	0	0	1,242,715	1,242,715	
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0	0	0	0	0	0	0	0	18,217,427	18,217,427	
<b>Total Assets and Other Debits</b>	<u>\$29,269,580</u>	<u>\$475,205</u>	<u>\$2,705,818</u>	<u>\$1,017,717</u>	<u>\$385,636</u>	<u>\$0</u>	<u>\$174,741</u>	<u>\$39,857,125</u>	<u>\$19,460,142</u>	<u>\$0</u>	<u>\$0</u>	<u>\$19,460,142</u>	<u>\$93,346,974</u>	

The accompanying notes are an integral part of these statements.

(Continued)

Jackson Local School District  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise Services	Internal Services	Trust and Agency	General Fixed Assets	Long-Term Obligations	General	Fixed	Long-Term Obligations	
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS:</b>													
<b>Liabilities:</b>													
Accounts Payable	\$248,006	\$65,675	\$0	\$172,882	\$327	\$0	\$45	\$0	\$0	\$0	\$0	\$0	\$486,935
Retainage Payable	0	0	0	5,632	0	0	0	0	0	0	0	0	5,632
Accrued Wages and Benefits	3,320,967	33,100	0	0	99,202	0	0	0	0	0	0	0	3,453,269
Compensated Absences	25,834	0	0	0	37,125	0	0	0	0	0	0	0	3,115,787
Contracts Payable	0	0	0	74,895	0	0	0	0	0	0	0	0	74,895
Intergovernmental Payable	505,621	3,464	0	0	32,802	0	0	0	0	0	0	219,398	761,285
Interfund Payable	0	45,300	0	0	16,000	0	6,643	0	0	0	0	0	67,943
Due to Others	0	0	0	0	0	0	121,503	0	0	0	0	0	121,503
Deferred Revenue	21,454,418	0	1,463,103	507,688	15,199	0	0	0	0	0	0	0	23,440,408
Capital Lease Payable	0	0	0	0	0	0	0	0	0	0	0	449,190	449,190
Bonds Payable	0	0	0	0	0	0	0	0	0	0	0	15,738,726	15,738,726
<b>Total Liabilities</b>	<b>25,554,846</b>	<b>147,539</b>	<b>1,463,103</b>	<b>761,092</b>	<b>200,655</b>	<b>0</b>	<b>128,191</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,460,142</b>	<b>47,715,573</b>

The accompanying notes are an integral part of these statements.

Jackson Local School District  
 Combined Balance Sheet - All Fund Types and Account Groups  
 June 30, 1999

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise Service	Internal Service	Trust and Agency	General	Fixed Assets	Long-Term Obligations	General	Fixed Assets		Long-Term Obligations
<b>Fund Equity and Other Credits:</b>														
Investment in														
General Fixed Assets	0	0	0	0	0	0	0	0	39,857,125	0	0	0	39,857,125	
Contributed Capital	0	0	0	0	67,720	0	0	0	0	0	0	0	67,720	
Retained Earnings-Unreserved	0	0	0	0	118,271	0	0	0	0	0	0	0	118,271	
<b>Fund Balances</b>														
Reserved for Property Tax	1,037,776	0	83,105	29,678	0	0	0	0	0	0	0	0	1,150,559	
Reserved for Encumbrances	1,241,433	146,587	0	180,619	0	0	555	0	0	0	0	0	1,569,194	
Reserved for Inventory	171,717	0	0	0	0	0	0	0	0	0	0	0	171,717	
Reserved for Prepaid Items	2,795	0	0	0	0	0	0	0	0	0	0	0	2,795	
Reserved for Debt Service	0	0	1,159,610	0	0	0	0	0	0	0	0	0	1,159,610	
Reserved for Budget														
Stabilization	415,985	0	0	0	0	0	0	0	0	0	0	0	415,985	
Reserved for Endowment	0	0	0	0	0	0	3,290	0	0	0	0	0	3,290	
Unreserved - Undesignated	845,028	181,079	0	46,323	0	0	42,705	0	0	0	0	0	1,115,135	
<b>Total Fund Equity and Other Credits</b>	<u>3,714,734</u>	<u>327,666</u>	<u>1,242,715</u>	<u>256,620</u>	<u>185,991</u>	<u>0</u>	<u>46,550</u>	<u>0</u>	<u>39,857,125</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>45,631,401</u>	
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$29,269,580</u>	<u>\$475,205</u>	<u>\$2,705,818</u>	<u>\$1,017,717</u>	<u>\$386,646</u>	<u>\$0</u>	<u>\$174,741</u>	<u>\$19,460,142</u>	<u>\$39,857,125</u>	<u>\$19,460,142</u>	<u>\$0</u>	<u>\$0</u>	<u>\$93,346,974</u>	

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Fiscal Year Ended June 30, 1999**

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special	Debt	Capital	Fund Type	
		Revenue	Service	Projects	Expendable Trust	
<b>REVENUES:</b>						
Taxes	\$24,276,171	\$0	\$1,748,340	\$609,768	\$0	\$26,634,279
Tuition and Fees	121,993	0	0	0	0	121,993
Intergovernmental	7,454,746	685,653	294,413	101,862	0	8,536,674
Interest	589,818	0	0	0	2,023	591,841
Extracurricular Activities	0	528,030	0	0	0	528,030
Other	255,832	113,748	0	0	25,514	395,094
Classroom Materials & Fees	22,099	56,562	0	0	0	78,661
<b>Total Revenues</b>	<b>32,720,659</b>	<b>1,383,993</b>	<b>2,042,753</b>	<b>711,630</b>	<b>27,537</b>	<b>36,886,572</b>
<b>EXPENDITURES:</b>						
<b>Current</b>						
<b>Instruction</b>						
Regular	13,391,725	290,715	0	312,222	0	13,994,662
Special	1,340,408	263,065	0	0	0	1,603,473
Vocational	953,274	0	0	0	0	953,274
Other	383,835	18,745	0	0	0	402,580
<b>Support Services</b>						
Pupil	1,897,167	182,331	0	0	17,213	2,096,711
Instructional Staff	765,051	213,881	0	0	0	978,932
Board of Education	23,583	0	0	0	0	23,583
Administration	2,255,348	123,161	0	0	0	2,378,509
Fiscal	737,852	0	26,024	671	0	764,547
Business	288,927	0	0	0	0	288,927
Operation and Main- tenance of Plant	3,179,903	1,102	0	0	0	3,181,005
Pupil Transportation	2,049,009	0	0	320,420	0	2,369,429
Central	919,382	11,104	0	0	12,742	943,228
Community Services	0	7,513	0	0	0	7,513
Extracurricular Activities	736,865	369,281	0	0	0	1,106,146
<b>Debt Service</b>						
Principal and Interest Retirement	2,632,180	0	1,594,883	0	0	4,227,063
<b>Building Acquisition and Construction</b>						
	221,238	0	0	357,923	0	579,161
<b>Total Expenditures</b>	<b>31,775,747</b>	<b>1,480,898</b>	<b>1,620,907</b>	<b>991,236</b>	<b>29,955</b>	<b>35,898,743</b>
Revenues Over (Under)						
Expenditures	944,912	(96,905)	421,846	(279,606)	(2,418)	987,829

(Continued)

The accompanying notes are an integral part of these statements

Jackson Local School District  
 Combined Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 All Governmental Fund Types and Similar Trust Funds  
 For the Fiscal Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals (Memorandum Only)
	General	Special	Debt	Capital	Fund Type	
		Revenue	Service	Projects	Expendable Trust	
OTHER FINANCING SOURCES (USES):						
Sale of Fixed Assets	7,748	0	0	0	\$0	7,748
Proceeds From Sale of Notes	2,530,000	0	0	0	0	2,530,000
Operating Transfers - In	0	500	0	0	0	500
Operating Transfers - Out	(52,000)	0	0	0	0	(52,000)
Refund of Prior						
Year's Expenses	4,244	4,310	0	0	0	8,554
Pass Through	(26,100)	0	0	0	0	(26,100)
Refund of Prior						
Year's Receipts	(127,629)	(3,352)	0	0	0	(130,981)
Total Other Financing Sources (Uses)	2,336,263	1,458	0	0	0	2,337,721
Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,281,175	(95,447)	421,846	(279,606)	(2,418)	3,325,550
Fund Balances at						
Beginning of Year	449,502	423,113	820,869	536,226	45,678	2,275,388
Decrease in Reserve for Inventory	(15,943)	0	0	0	0	(15,943)
Fund Balances at End of Year	\$3,714,734	\$327,666	\$1,242,715	\$256,620	\$43,260	\$5,584,995

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget Basis and Actual**  
**All Governmental Fund Types and Similar Trust Funds**  
**For the Fiscal Year Ended June 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 24,089,031	\$ 24,089,185	\$ 154
Tuition and Fees	133,000	133,047	47
Intergovernmental	7,455,700	7,455,760	60
Interest	590,000	589,818	(182)
Extracurricular Activities	0	0	0
Classroom Materials & Fees	21,800	22,046	246
Other	247,500	247,046	(454)
<b>Total Revenues</b>	<b>32,537,031</b>	<b>32,536,902</b>	<b>(129)</b>
<b>EXPENDITURES:</b>			
Current			
Instruction			
Regular	14,160,046	13,844,762	315,284
Special	1,323,404	1,320,565	2,839
Vocational	999,730	954,175	45,555
Adult Continuing	0	0	0
Other	431,292	430,480	812
Support Services			
Pupil	2,151,100	2,016,083	135,017
Instructional Staff	828,731	763,549	65,182
Board of Education	27,208	22,433	4,775
Administration	2,201,886	2,176,407	25,479
Fiscal	718,389	713,865	4,524
Business	423,316	327,918	95,398
Operation and Maintenance of Plant	3,571,285	3,480,763	90,522
Pupil Transportation	2,233,433	2,159,922	73,511
Central	1,163,076	1,083,465	79,611
Food Service Operations	0	0	0
Extracurricular Activities	733,251	690,074	43,177
Facilities Acquisition & Construction	1,010,816	297,027	713,789
Debt Service			
Principal Retirement and Interest	2,632,180	2,632,180	0
<b>Total Expenditures</b>	<b>34,609,143</b>	<b>32,913,668</b>	<b>1,695,475</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(2,072,112)</b>	<b>(376,766)</b>	<b>1,695,346</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Fixed Assets	7,700	7,748	48
Advances - In	7,500	7,500	0
Advances - Out	(68,000)	(67,943)	57
Refund of Prior Year Expenditures	7,400	7,363	(37)
Refund of Prior Year Receipt	(131,500)	(127,629)	3,871
Operating Transfers - In	0	0	0
Operating Transfers - Out	(57,000)	(55,500)	1,500
Pass throughs	(697,211)	(26,100)	671,111
Proceeds from Sale of Notes	2,530,000	2,530,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>1,598,889</b>	<b>2,275,439</b>	<b>676,550</b>
<b>Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(473,223)</b>	<b>1,898,673</b>	<b>2,371,896</b>
Fund Balances at Beginning of Year	2,686,512	2,686,512	0
Prior Year Encumbrances	446,940	446,940	0
<b>Fund Balances at End of Year</b>	<b>\$ 2,660,229</b>	<b>\$ 5,032,125</b>	<b>\$ 2,371,896</b>

The accompanying notes are an integral part of these statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 1,732,719	\$ 1,732,325	\$ (394)
0	0	0	0	0	0
707,301	707,193	(108)	294,400	294,413	13
0	0	0	0	0	0
528,708	528,030	(678)	0	0	0
58,341	58,341	0	0	0	0
113,972	113,748	(224)	0	0	0
<u>1,408,322</u>	<u>1,407,312</u>	<u>(1,010)</u>	<u>2,027,119</u>	<u>2,026,738</u>	<u>(381)</u>
339,141	324,638	14,503	0	0	0
282,317	261,773	20,544	0	0	0
0	0	0	0	0	0
27,290	18,305	8,985	0	0	0
0	0	0	0	0	0
211,916	194,274	17,642	0	0	0
276,815	243,068	33,747	0	0	0
0	0	0	0	0	0
137,550	136,305	1,245	0	0	0
995	0	995	26,025	26,025	0
0	0	0	0	0	0
1,664	1,102	562	0	0	0
0	0	0	0	0	0
11,104	11,104	0	0	0	0
7,547	7,520	27	0	0	0
471,803	436,949	34,854	0	0	0
0	0	0	0	0	0
0	0	0	1,594,883	1,594,882	1
<u>1,768,142</u>	<u>1,635,038</u>	<u>133,104</u>	<u>1,620,908</u>	<u>1,620,907</u>	<u>1</u>
<u>(359,820)</u>	<u>(227,726)</u>	<u>132,094</u>	<u>406,211</u>	<u>405,831</u>	<u>(380)</u>
0	0	0	0	0	0
45,300	45,300	0	0	0	0
(7,500)	(7,500)	0	0	0	0
4,475	4,486	11	0	0	0
(3,352)	(3,352)	0	0	0	0
4,000	4,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>42,923</u>	<u>42,934</u>	<u>11</u>	<u>0</u>	<u>0</u>	<u>0</u>
(316,897)	(184,792)	132,105	406,211	405,831	(380)
360,418	360,418	0	753,779	753,779	0
78,858	78,858	0	0	0	0
<u>\$ 122,379</u>	<u>\$ 254,484</u>	<u>\$ 132,105</u>	<u>\$ 1,159,990</u>	<u>\$ 1,159,610</u>	<u>\$ (380)</u>

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Balances - Budget Basis and Actual**  
**All Governmental Fund Types and Similar Trust Funds - Continued**  
**For the Fiscal Year Ended June 30, 1999**

	Capital Projects Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 602,931	\$ 602,960	\$ 29
Tuition and Fees	0	0	0
Intergovernmental	101,860	101,862	2
Interest	0	0	0
Extracurricular Activities	0	0	0
Classroom Materials & Fees	0	0	0
Other	0	0	0
<b>Total Revenues</b>	<u>704,791</u>	<u>704,822</u>	<u>31</u>
<b>EXPENDITURES:</b>			
Current			
Instruction			
Regular	323,377	318,674	4,703
Special	0	0	0
Vocational	0	0	0
Adult Continuing	0	0	0
Other	0	0	0
Support Services			
Pupil	0	0	0
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	4,100	671	3,429
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	322,430	322,420	10
Central	0	0	0
Food Service Operations	0	0	0
Extracurricular Activities	0	0	0
Facilities Acquisition & Construction	553,488	532,554	20,934
Debt Service			
Principal Retirement and Interest	0	0	0
<b>Total Expenditures</b>	<u>1,203,395</u>	<u>1,174,319</u>	<u>29,076</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(498,604)</u>	<u>(469,497)</u>	<u>29,107</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Fixed Assets	0	0	0
Advances - In	0	0	0
Advances - Out	0	0	0
Refund of Prior Year Expenditures	0	0	0
Refund of Prior Year Receipt	0	0	0
Operating Transfers - In	0	0	0
Operating Transfers - Out	0	0	0
Pass throughs	0	0	0
Proceeds from Sale of Notes	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<u>(498,604)</u>	<u>(469,497)</u>	<u>29,107</u>
Fund Balances at Beginning of Year	467,411	467,411	0
Prior Year Encumbrances	48,409	48,409	0
<b>Fund Balances at End of Year</b>	<u>\$ 17,216</u>	<u>\$ 46,323</u>	<u>\$ 29,107</u>

The accompanying notes are an integral part of these statements.

Expendable Trust Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 26,424,681	\$ 26,424,470	\$ (211)
0	0	0	133,000	133,047	47
0	0	0	8,559,261	8,559,228	(33)
2,057	2,023	(34)	592,057	591,841	(216)
0	0	0	528,708	528,030	(678)
0	0	0	80,141	80,387	246
25,978	25,514	(464)	387,450	386,308	(1,142)
28,035	27,537	(498)	36,705,298	36,703,311	(1,987)
0	0	0	14,822,564	14,488,074	334,490
0	0	0	1,605,721	1,582,338	23,383
0	0	0	999,730	954,175	45,555
0	0	0	27,290	18,305	8,985
0	0	0	431,292	430,480	812
18,701	17,712	989	2,381,717	2,228,069	153,648
0	0	0	1,105,546	1,006,617	98,929
0	0	0	27,208	22,433	4,775
0	0	0	2,339,436	2,312,712	26,724
0	0	0	749,509	740,561	8,948
0	0	0	423,316	327,918	95,398
0	0	0	3,572,949	3,481,865	91,084
0	0	0	2,555,863	2,482,342	73,521
17,000	12,851	4,149	1,191,180	1,107,420	83,760
0	0	0	7,547	7,520	27
0	0	0	1,205,054	1,127,023	78,031
0	0	0	1,564,304	829,581	734,723
0	0	0	4,227,063	4,227,062	1
35,701	30,563	5,138	39,237,289	37,374,495	1,862,794
(7,666)	(3,026)	4,640	(2,531,991)	(671,184)	1,860,807
0	0	0	7,700	7,748	48
0	0	0	52,800	52,800	0
0	0	0	(75,500)	(75,443)	57
0	0	0	11,875	11,849	(26)
0	0	0	(134,852)	(130,981)	3,871
0	0	0	4,000	4,000	0
0	0	0	(57,000)	(55,500)	1,500
0	0	0	(697,211)	(26,100)	671,111
0	0	0	2,530,000	2,530,000	0
0	0	0	1,641,812	2,318,373	676,561
(7,666)	(3,026)	4,640	(890,179)	1,647,189	2,537,368
45,231	45,231	0	4,313,351	4,313,351	0
500	500	0	574,707	574,707	0
\$ 38,065	\$ 42,705	\$ 4,640	\$ 3,997,879	\$ 6,535,247	\$ 2,537,368

**Jackson Local School District**  
**Combined Statement of Revenues, Expenses, and Changes in**  
**Retained Earnings - All Proprietary Fund Types**  
**and Non-Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non - expendable Trust</u>	<u>Total (Memorandum Only)</u>
<b>OPERATING REVENUES:</b>				
Sales	\$902,821	\$0	\$0	\$902,821
Charges for Services	<u>95,910</u>	<u>0</u>	<u>0</u>	<u>95,910</u>
Total Operating Revenues	<u>998,731</u>	<u>0</u>	<u>0</u>	<u>998,731</u>
<b>OPERATING EXPENSES:</b>				
Salaries and Wages	554,688	0	0	554,688
Fringe Benefits	185,315	0	0	185,315
Contract Services	60,394	0	0	60,394
Cost of Sales	578,693	0	0	578,693
Depreciation	37,976	0	0	37,976
Other	2,763	0	150	2,913
Maintenance and Repairs	<u>24,858</u>	<u>126</u>	<u>0</u>	<u>24,984</u>
Total Operating Expenses	<u>1,444,687</u>	<u>126</u>	<u>150</u>	<u>1,444,963</u>
Operating Loss	<u>(445,956)</u>	<u>(126)</u>	<u>(150)</u>	<u>(446,232)</u>
<b>NON-OPERATING REVENUES:</b>				
Donated Commodities	21,394	0	0	21,394
Operating Grants	149,965	0	0	149,965
Refund of Prior Year's Expenditures	334	0	0	334
Interest Income	1,417	0	170	1,587
Other	<u>112,800</u>	<u>0</u>	<u>0</u>	<u>112,800</u>
Total Non-Operating Revenues	<u>285,910</u>	<u>0</u>	<u>170</u>	<u>286,080</u>
Income (Loss) before Operating Transfers	(160,046)	(126)	20	(160,152)
Operating Transfer - in	<u>51,500</u>	<u>0</u>	<u>0</u>	<u>51,500</u>
Net Income (Loss)	(108,546)	(126)	20	(108,652)
Retained Earnings at Beginning of Year	<u>226,817</u>	<u>126</u>	<u>3,270</u>	<u>230,213</u>
Retained Earnings at End of Year	<u>\$118,271</u>	<u>\$0</u>	<u>\$3,290</u>	<u>\$121,561</u>

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Equity - Budget Basis and Actual**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Enterprise Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Tuition and Fees	\$ 92,675	\$ 92,674	\$ (1)
Sales	902,700	902,781	81
Interest	1,500	1,418	(82)
Classroom Materials and Fees	5,217	5,216	(1)
Miscellaneous	113,137	113,134	(3)
Operating Grants	140,500	139,849	(651)
<b>Total Revenues</b>	<b>1,255,729</b>	<b>1,255,072</b>	<b>(657)</b>
<b>EXPENDITURES</b>			
Salaries and Wages	539,755	539,679	76
Fringe Benefits	185,405	185,315	90
Contract Services	50,388	47,191	3,197
Supplies	619,449	579,726	39,723
Capital Outlay	31,857	26,125	5,732
Other	3,335	3,262	73
<b>Total Expenses</b>	<b>1,430,189</b>	<b>1,381,298</b>	<b>48,891</b>
<b>Revenues Over (Under) Expenses</b>	<b>(174,460)</b>	<b>(126,226)</b>	<b>48,234</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Refund of Prior Year Expenditures	360	334	(26)
Operating Transfers - In	51,500	51,500	0
Advances - In	16,000	16,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>67,860</b>	<b>67,834</b>	<b>(26)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses</b>	<b>(106,600)</b>	<b>(58,392)</b>	<b>48,208</b>
Fund Balances at Beginning of Year	87,999	87,999	0
Prior Year Encumbrances	23,264	23,264	0
<b>Fund Balances at End of Year</b>	<b>\$ 4,663</b>	<b>\$ 52,871</b>	<b>\$ 48,208</b>

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Equity - Budget Basis and Actual**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Internal Service Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Tuition and Fees	\$ 0	\$ 0	\$ 0
Sales	0	0	0
Interest	0	0	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	0	0
Operating Grants	0	0	0
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXPENDITURES</b>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Contract Services	0	0	0
Supplies	0	0	0
Capital Outlay	125	125	0
Other	0	0	0
<b>Total Expenses</b>	<u>125</u>	<u>125</u>	<u>0</u>
<b>Revenues Over (Under) Expenses</b>	<u>(125)</u>	<u>(125)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Refund of Prior Year's Expenditures	0	0	0
Operating Transfers - In	0	0	0
Advances - In	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses</b>	<u>(125)</u>	<u>(125)</u>	<u>0</u>
<b>Fund Balances at Beginning of Year</b>	125	125	0
<b>Prior Year Encumbrances</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Equity - Budget Basis and Actual**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Non-Expendable Trust Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Tuition and Fees	\$ 0	\$ 0	\$ 0
Sales	0	0	0
Interest	170	170	0
Classroom Materials and Fees	0	0	0
Miscellaneous	0	0	0
Operating Grants	0	0	0
<b>Total Revenues</b>	<u>170</u>	<u>170</u>	<u>0</u>
<b>EXPENDITURES</b>			
Salaries and Wages	0	0	0
Fringe Benefits	0	0	0
Contract Services	0	0	0
Supplies	0	0	0
Capital Outlay	0	0	0
Other	150	150	0
<b>Total Expenses</b>	<u>150</u>	<u>150</u>	<u>0</u>
<b>Revenues Over (Under) Expenses</b>	<u>20</u>	<u>20</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Refund of Prior Year's Expenditures	0	0	0
Operating Transfers - In	0	0	0
Advances - In	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses</b>	<u>20</u>	<u>20</u>	<u>0</u>
Fund Balances at Beginning of Year	3,270	3,270	0
Prior Year Encumbrances	<u>0</u>	<u>0</u>	<u>0</u>
<b>Fund Balances at End of Year</b>	<u>\$ 3,290</u>	<u>\$ 3,290</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these statements.

**Jackson Local School District**  
**Combined Statement of Revenues, Expenditures, and Changes**  
**in Fund Equity - Budget Basis and Actual**  
**All Proprietary Fund Types and Non-Expendable Trust Fund**  
**For the Fiscal Year Ended June 30, 1999**

	Totals (memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Tuition and Fees	\$ 92,675	\$ 92,674	\$ (1)
Sales	902,700	902,781	81
Interest	1,670	1,587	(83)
Classroom Materials and Fees	5,217	5,216	(1)
Miscellaneous	113,137	113,134	(3)
Operating Grants	140,500	139,849	(651)
<b>Total Revenues</b>	<b>1,255,899</b>	<b>1,255,241</b>	<b>(658)</b>
<b>EXPENDITURES</b>			
Salaries and Wages	539,755	539,679	76
Fringe Benefits	185,405	185,315	90
Contract Services	50,388	47,191	3,197
Supplies	619,449	579,726	39,723
Capital Outlay	31,982	26,250	5,732
Other	3,485	3,412	73
<b>Total Expenses</b>	<b>1,430,464</b>	<b>1,381,573</b>	<b>48,891</b>
<b>Revenues Over (Under) Expenses</b>	<b>(174,565)</b>	<b>(126,332)</b>	<b>48,233</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Refund of Prior Year's Expenditures	360	334	(26)
Operating Transfers - In	51,500	51,500	0
Advances In	16,000	16,000	0
<b>Total Other Financing Sources (Uses)</b>	<b>67,860</b>	<b>67,834</b>	<b>(26)</b>
<b>Revenues and Other Financing Sources Over (Under) Expenses and Other Financing Uses</b>	<b>(106,705)</b>	<b>(58,498)</b>	<b>48,207</b>
Fund Balances at Beginning of Year	91,394	91,394	0
Prior Year Encumbrances	23,264	23,264	0
<b>Fund Balances at End of Year</b>	<b>\$ 7,953</b>	<b>\$ 56,160</b>	<b>\$ 48,207</b>

The accompanying notes are an integral part of these statements.

**Jackson Local School District  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Non-Expendable Trust Fund  
 For the Fiscal Year Ended June 30, 1999**

	Enterprise Funds	Internal Service Fund
Cash flows from operating activities:		
Operating loss	\$ (445,956)	\$ (126)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	37,976	0
Donated commodities in cost of sales	21,394	0
Change in assets and liabilities that increase (decrease) cash flow from operations		
Accounts receivable	2,274	0
Intergovernmental receivable	(10,116)	0
Material and supplies inventory	(1,560)	0
Accounts payable	(558)	0
Accrued wages and benefits	17,304	0
Compensated Absences	(2,294)	0
Intergovernmental payable	16,647	0
Interfund payable	16,000	0
Net cash (used in) operating activities	(348,889)	(126)
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(8,651)	0
Cash flows from noncapital financing activities:		
Operating grants received	149,965	0
Other non-operating revenue	114,551	0
Operating transfers	51,500	0
Net cash provided by noncapital financing activities	316,016	0
Net increase (decrease) in cash and cash equivalents	(41,524)	(126)
Cash and cash equivalents - beginning of year	111,262	126
Cash and cash equivalents - end of year	\$ 69,738	\$ 0
Noncash capital, investing and related financing activities		
Donated commodities received	\$ 21,394	\$ 0

**Reconciliation of Cash and Cash Equivalents  
 to the Combined Balance Sheet**

Trust and Agency	\$174,741
Less: Agency Funds	(128,191)
Expendable Trust Funds	(43,260)
Nonexpendable Trust Fund	\$3,290

The accompanying notes are an integral part of these statements.

Nonexpendable Trust Funds	Totals (Memorandum Only)
\$ (150)	\$ (446,232)
0	37,976
0	21,394
0	2,274
0	(10,116)
0	(1,560)
0	(558)
0	17,304
0	(2,294)
0	16,647
0	16,000
<u>(150)</u>	<u>(349,165)</u>
<u>0</u>	<u>(8,651)</u>
0	149,965
170	114,721
<u>0</u>	<u>51,500</u>
<u>170</u>	<u>316,186</u>
20	(41,630)
<u>3,270</u>	<u>114,658</u>
<u>\$ 3,290</u>	<u>\$ 73,028</u>
\$ 0	\$ 21,394

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

**1. DESCRIPTION OF THE ENTITY**

The Jackson 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 (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998 was 5,752. The District employed 325 certified employees and 166 non-certified employees.

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of these criteria involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

The District is associated with certain organizations, which are defined as Jointly Governed Organizations and Public Entity Risk Pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments Risk Sharing Pool and the Ohio School Boards Associations Workers' Compensation Group Rating Plan. These organizations are more fully described in Notes L and M to the general purpose financial statements.

**2. BASIS OF PRESENTATION - FUND ACCOUNTING**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

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

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued**

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Type:

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

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

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to another department or agency of the District on a cost-reimbursement basis.

Fiduciary Fund Types:

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and other funds. These include expendable trust, nonexpendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**2. BASIS OF PRESENTATION - FUND ACCOUNTING - Continued**

Account Groups:

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

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

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

**3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

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

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after year-end. In applying the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: investment earnings, tuition, grants and entitlements.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise in the governmental funds when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes that are intended to finance fiscal year 2000 operations have been recorded as deferred revenue as more fully described in Note C.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**3. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and the nonexpendable trust fund. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. There were no unbilled service charges at fiscal year end. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities nonoperating revenue. Unused donated commodities as of June 30, 1999 were insignificant to the general purpose financial statements.

**4. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function for the General Fund and at fund level for all other District funds. Any budgetary modification at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources:

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 the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**4. BUDGETARY PROCESS - Continued**

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District's Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

Appropriations:

By October 1, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures for the General Fund and fund level for all other District funds, which are the legal levels of budgetary control. Prior to the passage of the Annual Appropriation Resolution, the Board may pass a temporary resolution to meet the ordinary expenses of the District. 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 at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental fund appropriations were legally enacted, however, the amount of the increases were not significant. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balances for subsequent year expenditures for governmental funds and reported in the notes to the financial statements for proprietary fund. At year end, the District's advances in/out did not agree by \$6,643 on a non-GAAP budgetary basis. This is a result of \$6,643 being advanced from the General Fund to the Agency Fund Type. Agency fund activity is not disclosed in the financial statements.

Lapsing of Appropriations:

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

Budgetary Basis of Accounting:

While the District reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget Basis and Actual - All Governmental Fund Types and Similar Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget Basis and Actual - All Proprietary Fund Types and Nonexpendable Trust Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP basis are:

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

4. **BUDGETARY PROCESS - Continued**

1. Revenues are reported when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure for proprietary fund types (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

**Total Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types and Similar Trust Funds**

	General	Special Revenue	Debt Service	Capital Projects	Expendabl Trust
GAAP Basis	\$3,281,175	\$ (95,447)	\$421,846	\$ (279,606)	\$ (2,418)
Net Adjustment for Revenue Accruals	(183,757)	23,319	(16,015)	(6,808)	0
Net Adjustment for Expenditure Accruals	351,518	58,122	0	245,313	(8)
Encumbrances	(1,489,439)	(212,262)	0	(428,396)	(600)
Other Sources	(381)	3,676	0	0	0
Advances-net	(60,443)	37,800	0	0	0
Budget Basis	<u>\$1,898,673</u>	<u>\$(184,792)</u>	<u>\$405,831</u>	<u>\$(469,497)</u>	<u>\$(3,026)</u>

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**4. BUDGETARY PROCESS - Continued**

**Net Income/Total Revenues Over  
Expenses, Advances and Operating Transfers  
Proprietary Fund Type**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Non-Expendable Trust</u>
GAAP Basis	\$(108,546)	\$126	\$20
Net Adjustment for Revenue Accruals	(7,841)	0	0
Commodities Receive	(21,394)	0	0
Advances In	16,000	0	0
Encumbrances	16,866	0	0
Net Adjustment for Expense Accruals	(10,894)	1	0
Commodities Used	19,351	0	0
Depreciation	<u>37,976</u>	<u>0</u>	<u>0</u>
Budget Basis	<u>\$(58,392)</u>	<u>\$(125)</u>	<u>\$20</u>

**5. POOLED CASH AND INVESTMENTS**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet. During fiscal year 1999, investments were limited to STAROhio, U. S. Government Securities, and repurchase agreements. All investments of the District had a maturity of two years or less. Investments are stated at cost which approximates market value. Investment earnings are allocated to the General Fund, Expendable Trust Funds, Enterprise Funds and Nonexpendable Trust Fund. Interest income earned in 1999 totaled \$593,429.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during 1999. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 1999.

For the purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**6. INVENTORY**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, costs are determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and as expenses in the proprietary fund types when used. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of purchased food, donated commodities and school supplies held for resale.

**7. FIXED ASSETS AND DEPRECIATION**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has established a capitalization threshold for fixed assets at \$500. The District does not have any infrastructure.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund types is computed using the straight-line basis over an estimated useful life of five to ten years.

**8. INTERGOVERNMENTAL REVENUES**

For governmental funds, intergovernmental revenue, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements received for proprietary fund operating purposes are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. The District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title I  
Drug Free Schools  
Special Education to States (Title VI-B)  
Goals 2000

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**8. INTERGOVERNMENTAL REVENUES - Continued**

Reimbursable Grants

General Fund

Driver Education  
School Bus Purchase Reimbursement

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 23% of the District's operating revenue during the 1999 fiscal year.

**9. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items.

**10. SHORT-TERM, INTERFUND ASSETS/LIABILITIES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as interfund receivables/payables.

**11. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated at a maximum of 280 days. Upon retirement, with a minimum of three years with the District, payment is made for one-quarter of the total sick leave accumulation, up to a maximum accumulation of fifty-five days. An employee receiving such payment must meet the retirement provisions set by STRS or SERS.

The District adopted GASB Statement No. 16, "Accounting for Compensated Absences," effective July 1, 1994. As a result, the District has recorded an estimated long-term liability of \$2,983,023 for severance pay and sick leave payable at June 30, 1999. The amount has been recorded in the General Long-Term Obligations Account Group since the liability will not require the use of current expendable financial resources.

**12. CONTRIBUTED CAPITAL**

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. There was no change in contributed capital during the year.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**13. LONG-TERM DEBT**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations are reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under Ohio Law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the debt service fund and the general long-term obligations account group, with principal and interest payments on matured general long-term debt reported in the debt service fund. To comply with GAAP reporting requirements, the District's debt retirement fund has been split among the appropriate funds and account group. Debt service fund resources used to pay both the principal and interest have also been allocated accordingly.

**14. INTERFUND TRANSACTIONS**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**15. FUND BALANCE RESERVES**

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available, spendable resources and, therefore, are not available for expenditure. Undesignated fund balance indicates that portion of fund equity, which is available for reappropriation, in future periods. Fund equity reserves are established for property taxes, encumbrances, inventory, prepaid items, debt service, budget stabilization and endowments. The reserve for property taxes represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**15. FUND BALANCE RESERVES - Continued**

The District is also required by State law to set aside certain General Fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance as of 6/30/98	\$0	\$0	\$156,530	\$156,530
Required Set Aside	515,009	515,009	257,505	1,287,523
Offset Credits	(77,911)	0	0	(77,911)
Qualifying Expenditures	(573,640)	(765,280)	0	(1,338,920)
FY 1999 Additional Worker's Comp Refund	<u>0</u>	<u>0</u>	<u>1,950</u>	<u>1,950</u>
<b>Total</b>	<b><u>(\$136,542)</u></b>	<b><u>(\$250,271)</u></b>	<b><u>\$415,985</u></b>	<b><u>(\$29,172)</u></b>
Balance Carried Forward To FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$415,985</u>	\$415,985
<b>Total Restricted Assets</b>				<b><u>\$415,985</u></b>

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

**16. PROPRIETARY FUND ACCOUNTING**

Under the guidelines of GASB Statement No. 20, "Accounting and Financial Reporting and Other Governmental Entities that use Proprietary Fund Accounting", the District has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989, to its proprietary activities.

**17. ESTIMATES**

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

**18. RESTRICTED ASSETS**

Restricted assets in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. The budget stabilization reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. During fiscal year 1998 and 1999, the District received \$156,530 and \$1,950 in refunds, respectively, from the Bureau of Worker's Compensation which State Statute requires to be included in the budget stabilization reserve.

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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**19. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS**

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

**NOTE B - CASH AND CASH EQUIVALENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificate 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies can 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 issuance 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); and

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

**NOTE B - CASH AND CASH EQUIVALENTS -Continued**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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.

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

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.

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

Deposits - At fiscal year end, the carrying amount of the District's deposits was \$764,354 and the bank balance was \$1,177,809. \$300,000 of the bank balance was covered by federal depository insurance. \$877,809 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments - The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the District at fiscal year end.

Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.

Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAROhio is unclassified because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Funds held in trust for escrow and invested in US Government Securities	\$5,632	\$5,632	\$5,632
Repurchase Agreement	930,000	930,000	930,000
Star Ohio		<u>7,172,763</u>	<u>7,172,763</u>
Totals		<u>\$8,108,395</u>	<u>\$8,108,395</u>

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

**NOTE B - CASH AND CASH EQUIVALENTS- Continued**

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 "Reporting Cash Flows of Proprietary Fund Accounting". A reconciliation between the classifications of cash and investments on the combined balance sheet and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ <u>Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$8,872,749	\$0
Investments:		
Certificate of Deposits	(900,000)	900,000
Funds Held in Escrow	(5,632)	5,632
Repurchase Agreement	(930,000)	930,000
Star Ohio	<u>(7,172,763)</u>	<u>7,172,763</u>
GASB Statement No. 3	<u>(\$135,646)</u>	<u>\$9,008,395</u>

**NOTE C - PROPERTY TAX**

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraise all real property every six years with a triennial update. The last update was completed for tax year 1996.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for tax (calendar) year 1998 was \$44.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$29.05 per \$1,000 of assessed valuation for real property classified as residential or agricultural and \$29.05 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property, including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for tax (calendar) year 1998 was \$44.80 per \$1,000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$508,102,020
Commercial/Industrial	254,222,200
Public Utilities	24,490
Minerals	215,880

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

**NOTE C - PROPERTY TAX - Continued**

Tangible Personal Property - 1998 Valuation	
General	109,936,201
Public Utilities	<u>50,448,680</u>
 Total Valuation	 <u><u>\$922,949,471</u></u>

The Stark County Treasurer collects property tax on behalf of all taxing districts within the county. The Stark County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding on real property, personal property and public utility taxes, which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30, 1999 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available and received as an advance at June 30, 1999 was \$1,037,776 in the General Fund, \$83,105 in the Debt Service Fund and \$29,678 in the Capital Projects Fund.

**NOTE D - RISK MANAGEMENT**

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

For fiscal year 1999, the District participated in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool (Note N). 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 worker's compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP. Each participant pays its worker's 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 share equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc., provides administrative, cost control and actuarial services of the GRP.

The District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlements of all expenses and claims.

**NOTE E - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 734,865
Less Accumulated Depreciation	<u>(480,926)</u>
Net Fixed Assets	<u><u>\$ 253,939</u></u>

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

**NOTE E - FIXED ASSETS - Continued**

A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance July 1, 1998 (Restated)	Additions	Deletions	Balance June 30, 1999
Land	\$632,395	\$117,295	\$0	\$749,690
Buildings	27,103,617	180,285	0	\$ 27,283,902
Furniture and Equipment	7,264,292	1,882,165	688,778	8,457,679
Vehicles	2,865,924	499,930	0	3,365,854
Total	<u>\$ 37,866,228</u>	<u>\$2,679,675</u>	<u>\$688,778</u>	<u>\$39,957,125</u>

In fiscal year 1999, the District had a reappraisal performed resulting in the above beginning balance restatement (See Note O).

**NOTE F - LONG-TERM DEBT**

On July 27, 1993, the District authorized the issuance of \$18,149,119.65 General Obligation Bonds for improvements to school facilities. This bond issue contained \$10,180,000 of Current Issue Serial Bonds with varying interest rates, \$529,119.65 of Capital Appreciation Serial Bonds, \$2,880,000 of 5.40% Current Interest Term Bonds, and \$4,560,000 of 5.50% Current Interest Term Bonds. The Current Interest Bonds will mature on December 1 each year. Interest on the Current Interest Bonds are payable at the respective rates on June 1 and December 1 of each year. The Capital Appreciation Bonds will bear interest, compounded semiannually from the date of the issuance, but such interest will be payable at maturity only. The addition to the General Obligation Bond represents discount accretion on the capital appreciation bonds through June 30, 1999. The difference between the scheduled General Obligation Bonds balance and the principal balance within the amortization schedule represents the balance of \$896,274 in accreted interest that will accrue until maturity. The maturity value of the capital appreciation bonds have been included in the principal column only.

Long-term obligations of the District as of June 30, 1999 were as follows:

	Balance July 1, 1998	Additions	Reductions	Balance June 30, 1999
SERS Payable	\$ 193,898	\$ 219,398	\$ 193,898	\$ 219,398
General Obligation Bonds	16,135,000	418,726	815,000	15,738,726
Capital Leases	0	552,808	103,618	449,190
Compensated Absences	2,813,373	169,650	0	2,983,023
Total	<u>\$19,142,271</u>	<u>\$ 1,140,825</u>	<u>\$1,008,898</u>	<u>\$19,274,198</u>

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

**NOTE F - LONG-TERM DEBT - Continued**

Bond debt principal and interest requirements are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
June 30, 2000	\$741,140	\$ 925,000	\$1,666,140
June 30, 2001	696,178	1,050,000	1,746,178
June 30, 2002	643,170	1,190,000	1,833,170
June 30, 2003	582,181	1,325,000	1,907,181
June 30, 2004	515,050	1,400,000	1,915,050
June 30, 2005-2009	2,029,990	4,030,000	6,059,990
June 30, 2010-2014	1,555,455	2,155,000	3,710,455
June 30, 2015-2019	900,635	2,670,000	3,570,635
June 30, 2020-2022	157,840	1,890,000	2,047,840
Total	<u>\$7,821,639</u>	<u>\$16,635,000</u>	<u>\$24,456,639</u>

Intergovernmental payables and the compensated absences will be paid from the fund from which the employees' salaries are paid.

**Short Term Note**

The District borrowed \$2,530,000 on July 1, 1998 from the State Cash Flow Borrowing Plan. The short term note carried an interest rate of 4.05 percent and was repaid by the District prior to June 30, 1999.

**NOTE G - DEFINED BENEFIT PENSION PLANS**

The District provides retirement benefits to all certified employees under the State Teachers' Retirement System and to all noncertified employees under the School Employees Retirement System. Both systems are cost-sharing, multiple-employer plans.

**1. STATE TEACHERS' RETIREMENT SYSTEM (STRS)**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 2,066,928, \$1,982,844 and \$1,828,812, respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$345,488 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

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

**NOTE G - DEFINED BENEFIT PENSION PLANS - Continued**

**2. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered salary. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$ 665,690, \$650,318, and \$617,616, respectively; 46 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$358,560 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term debt account group.

**NOTE H - POST-EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in form of monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$165,354 during the 1999 fiscal year. As of July 1, 1998, (latest data available) eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For the fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. The surcharge added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998 were \$111.9 million and the target level was \$139.9 million. At June 30, 1998 (latest data available), SERS had net assets available for payment of health care benefits of \$160.3 million. SERS had approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$33,151 during the 1999 fiscal year.

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

**NOTE I- CONTINGENCIES**

**GRANTS**

During the year ended June 30, 1999, the District received grants-in-aid from federal and state sources amounting to \$578,891 and \$8,110,889, respectively, for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based on prior experience, the District's management believes such disallowances, if any, would be insignificant.

**STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,629,518 of school foundation support for its general fund.

Also, the Court declared the Spending Reserve Borrowing Program unconstitutional. The Spending Reserve Borrowing Program allowed the District to borrow against amounts anticipated to be collected from tangible personal property taxes after the District's June 30 fiscal year end. During the fiscal year ended June 30, 1999, the District borrowed \$2,530,000 under this program and repaid during the year. Historically, the District has relied on this borrowing to meet cash flow needs at the end of each fiscal year. State statute has been recently amended to gradually decrease the annual amount the District may borrow under the Borrowing Program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient," clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

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

**NOTE J - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains five enterprise funds; Food Service, Customer Revolving, Uniform School Supplies, Adult Education, and Communications, which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 1999:

	Food Service	Uniform School Supplies	Customer Revolving	Adult Education	Communi- cations	Total
Operating Revenues	\$902,821	\$5,216	\$0	\$90,694	\$0	\$998,731
Operating Expenses Before Depreciation	1,077,972	4,143	61,144	183,888	79,564	1,406,711
Depreciation	37,358	0	618	0	0	37,976
Operating Income (Loss)	(212,509)	1,073	(61,762)	(93,194)	(79,564)	(445,956)
Operating Grants	109,478	0	0	40,487	0	149,965
Donated Commodities	21,394	0	0	0	0	21,394
Net Income/(Loss)	(80,220)	1,073	6,237	(32,207)	(3,449)	(108,546)
Net Working Capital (Deficit)	(48,650)	1,523	8,230	(27,527)	(1,524)	(67,948)
TOTAL ASSETS	347,275	1,523	15,069	1,865	5,715	371,447
TOTAL LIABILITIES	148,753	0	72	29,392	7,239	185,456
TOTAL EQUITY (Deficit)	198,522	1,523	14,997	(27,527)	(1,524)	185,991
Encumbrances outstanding as of June 30, 1999	\$10,271	\$0	\$30	\$960	\$5,605	\$16,866

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

**NOTE K - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The District has entered into capitalized leases for copier equipment. These leases meet 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 at the conclusion of the lease term.

General fixed assets consisting of copier equipment have been capitalized in the general fixed assets account group in an amount of \$449,190. This amount represents the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 1999 fiscal year totaled \$103,618.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

Year Ending June 30,	General Long-Term Obligation
2000	\$116,138
2001	116,138
2002	116,138
2003	116,138
2004	<u>12,520</u>
Total minimum lease payments	477,073
Less: amount representing interest	<u>(27,883)</u>
Present value of minimum lease payments	<u>\$449,190</u>

**NOTE L - JOINTLY GOVERNED ORGANIZATION**

Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments made up of public school districts and county boards of education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC. SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists.

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

**NOTE M - PUBLIC ENTITY RISK POOLS**

The Stark County Schools Council of Governments (Council) operates a Health Benefits Program which is a shared risk pool comprised of 15 Stark County school districts. It is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services.

The District also participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business 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 program. Each year, the participating school districts pay an enrollment fees to the GRP's to cover the costs of administering the program.

**NOTE N - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts (rent and reimbursements), interfund loans and intergovernmental grants. 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 accounts and intergovernmental receivable follows:*

	<u>Amount</u>
<u>General Fund</u>	
Student Fees	\$871
Driver Education - State of Ohio	2,286
Rental	10,295
Educational Service Center	115
Total General Fund	<u>13,367</u>
<u>Special Revenue Fund</u>	
Motorcycle Safety	8,460
<u>Enterprise Fund:</u>	
Lunch Sales	40
Food Service - State and Federal Reimbursement	17,817
Total Enterprise Fund	<u>17,857</u>
Total Accounts and Intergovernmental Receivables	<u>\$39,684</u>

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

**NOTE O - RESTATEMENT OF BEGINNING FUND BALANCE/RETAINED EARNINGS**

During fiscal year 1999, the District had a reappraisal performed on their fixed assets. As a result, certain errors were discovered which require restatement of the beginning fund balance/retained earnings:

	<u>Enterprise Funds</u>	<u>General Fixed Asset Account Group</u>
Ending fund balance/retained earnings at June 30, 1998	\$57,968	\$48,682,645
Increase (decrease) due to reappraisal of fixed assets	<u>168,849</u>	<u>(10,816,417)</u>
Beginning fund balance/retained earnings at July 1, 1998	<u>\$226,817</u>	<u>\$37,866,228</u>

JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor / Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio</i>						
<i>Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 98 C1-S1 99	84.010	\$0 <u>124,770</u>	\$0 <u>0</u>	\$31,011 <u>97,757</u>	\$0 <u>0</u>
Total Title I Grants to Local Educational Agencies			124,770	0	128,768	0
Special Education Grants to States	6B-SF 98 6B-SF 99	84.027	0 <u>161,148</u>	0 <u>0</u>	702 <u>156,677</u>	0 <u>0</u>
Total Special Education Grants to States			161,148	0	157,379	0
Vocational Education Basic Grants to States	N/A N/A	84.048	0 <u>26,522</u>	0 <u>0</u>	94 <u>26,522</u>	0 <u>0</u>
Total Vocational Education Basic Grants to States			26,522	0	26,616	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1 98 DR-S1 99	84.186	0 <u>27,076</u>	0 <u>0</u>	3,434 <u>27,076</u>	0 <u>0</u>
Total Safe and Drug-Free Schools and Communities State Grants			27,076	0	30,510	0
Goals 2000 State and Local Education Systemic Improvement	GS-S2 97C GS-S2 98	84.276	0 <u>106,000</u>	0 <u>0</u>	140 <u>145,269</u>	0 <u>0</u>
Total Goals 2000 State and Local Education Systemic Improvement			106,000	0	145,409	0
Eisenhower Professional Development State Grants	MS-S4 97C MS-S4 99	84.281	213 <u>0</u>	0 <u>0</u>	438 <u>4,010</u>	0 <u>0</u>
Total Eisenhower Professional Development State Grants			213	0	4,448	0
Innovative Education Program Strategies	C2-S1 99	84.298	20,037	0	20,037	0
Direct Telecomm (E-Rate)	N/A	84.XXX	<u>24,616</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total U. S. Department of Education</b>			<b><u>490,382</u></b>	<b><u>0</u></b>	<b><u>513,167</u></b>	<b><u>0</u></b>
<b>U.S. Department of Agriculture</b>						
<i>Passed Through Ohio</i>						
<i>Department of Education:</i>						
Child Nutrition Cluster: Food Distribution	N/A	10.550	0	21,394	0	19,351
National School Lunch Program	N/A	10.555	<u>88,509</u>	<u>0</u>	<u>88,509</u>	<u>0</u>
<b>Total U.S. Department of Agriculture</b>			<b><u>88,509</u></b>	<b><u>21,394</u></b>	<b><u>88,509</u></b>	<b><u>19,351</u></b>
<b>Totals</b>			<b><u>\$578,891</u></b>	<b><u>\$21,394</u></b>	<b><u>\$601,676</u></b>	<b><u>\$19,351</u></b>

See accompanying notes to the Schedule of Federal Awards Receipts and Expenditures

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Federal Awards Receipts and Expenditures (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had \$15,199 in food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

111 2nd Street, NW, 4th Floor  
Canton, Ohio 44702  
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800-443-9272  
Facsimile 330-471-0001

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Education  
Jackson Local School District  
Stark County  
7984 Fulton Drive NW  
Massillon, Ohio 44646

To the Board of Education:

We have audited the general purpose financial statements of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 27, 2000, which included an emphasis of a matter related to a correction of errors in the Enterprise funds and the General Fixed Asset Account Group. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 27, 2000.

### Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 27, 2000.

Jackson Local School District  
Stark County  
Report on Compliance and on Internal Control Required by  
*Government Auditing Standards*  
Page 2

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



**Jim Petro**  
Auditor of State

January 27, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Jackson Local School District  
Stark County  
7984 Fulton Drive NW  
Massillon, Ohio 44646

To the Board of Education:

**Compliance**

We have audited the compliance of Jackson Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

### Internal Control Over Compliance

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

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

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



**Jim Petre**  
Auditor of State

January 27, 2000

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

**JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Program (list):	Special Education Grants To States, CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others programs
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

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Canton, Ohio 44702

Telephone 330-438-0617  
800-443-9272  
Facsimile 330-471-0001

**JACKSON LOCAL SCHOOL DISTRICT, STARK 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.**

By: *Susan Babbitt*  
Clerk of the Bureau

Date: **MAR 28 2000**