

**JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 1999**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Jackson-Milton Local School District, Mahoning County, (the Government) 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 Government'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 Jackson-Milton Local School District, Mahoning County, 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.

The accompanying general purpose financial statements have been prepared assuming that the Jackson-Milton Local School District will be able to continue normal operations and meet financial obligations as they come due. As discussed in Note 18 to the general purpose financial statements, the District is under fiscal emergency, which raises substantial doubt about its ability to continue as a going concern and meet obligations without layoffs, cut in public services, or significant new sources of revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Jim Petro
Auditor of State
March 31, 2000

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1999

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General		Long-Term Obligations	
									General		Fixed Assets	
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$212,690	\$64,316		\$264,178	\$258	\$11,027				\$552,469		
Receivables (net of allowances of uncollectibles):												
Taxes - current & delinquent	2,438,999	1,380,839	\$79,770	231,102	60					4,130,710		
Accounts	14,952	15								15,027		
Accrued interest	191									191		
Due from other governments	300	19,624			16,289					36,213		
Prepayments	5,548									5,548		
Materials and supplies inventory					7,949					7,949		
Restricted assets:												
Equity in pooled cash and cash equivalents										35,463		
Property, plant and equipment (net of accumulated depreciation where applicable)								\$4,951,462		4,955,484		
OTHER DEBITS:												
Amount to be provided for retirement of general long term obligations									\$989,818	989,818		
Total assets and other debits	\$2,708,143	\$1,464,794	\$79,770	\$495,280	\$28,578	\$11,027		\$4,951,462	\$989,818	\$10,728,872		

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

--Continued

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 1999

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		Account Groups	
										General	Fixed Assets
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$22,651	\$53		\$17,494	\$381				\$40,579		
Accrued wages and benefits	555,245	50,972			20,433				626,650		
Compensated absences payable	13,104				13,748			\$431,866	458,718		
Pension obligation payable	81,328	2,808			9,497			50,686	144,319		
Deferred revenue	2,438,999	1,380,839	\$79,770	231,102	6,533				4,137,243		
Due to other governments						\$1,550			1,550		
Due to students						7,135			7,135		
Energy conservation note payable								392,266	392,266		
General obligation bonds payable								115,000	115,000		
Solvency assistance loan payable	672,000								672,000		
Total liabilities	3,783,327	1,434,672	79,770	248,596	50,592	8,685	989,818	6,595,460	6,595,460		
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets								\$4,951,462	4,951,462		
Retained earnings (accumulated deficit):											
unreserved					(22,014)				(22,014)		
Fund balances:											
Reserved for encumbrances	16,497	15,353		105,577					137,427		
Reserved for prepayments	5,548								5,548		
Reserved for budget stabilization	35,463								35,463		
Unreserved-undesignated (deficit)	(1,132,692)	14,769		141,107		2,342			(974,474)		
Total equity and other credits	(1,075,184)	30,122		246,684	(22,014)	2,342	4,951,462	4,133,412	4,133,412		
Total liabilities, equity and other credits	\$2,708,143	\$1,464,794	\$79,770	\$495,280	\$28,578	\$11,027	\$989,818	\$10,728,872	\$10,728,872		

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,102,511	\$813,785	\$208,696	\$209,470		\$3,334,462
Tuition	44,231					44,231
Earnings on investments	29,741			67		29,808
Other local revenues	20,324	119,896		4,044	\$13,892	158,156
Other revenue	27,419					27,419
Intergovernmental - State	1,843,567	136,871	746,481	20,120		2,747,039
Intergovernmental - Federal		205,334				205,334
Total revenue	4,067,793	1,275,886	955,177	233,701	13,892	6,546,449
Expenditures:						
Current:						
Instruction:						
Regular	2,060,725	966,685		57,133	300	3,084,843
Special	373,966	191,875				565,841
Vocational	154,170					154,170
Other	70,975					70,975
Support services:						
Pupil	178,648					178,648
Instructional staff	76,937	6,738				83,675
Board of Education	47,684					47,684
Administration	570,997	6,208				577,205
Fiscal	237,748	46,872		5,300		289,920
Operations and maintenance	457,143					457,143
Pupil transportation	385,807			74,728		460,535
Community services					11,550	11,550
Extracurricular activities	185,194	102,557				287,751
Facilities services				237,996		237,996
Debt service:						
Principal retirement			63,380			63,380
Interest and fiscal charges	44,924		30,873			75,797
Total expenditures	4,844,918	1,320,935	94,253	375,157	11,850	6,647,113
Excess (deficiency) of revenues over (under) expenditures	(777,125)	(45,049)	860,924	(141,456)	2,042	(100,664)
Other financing sources (uses):						
Operating transfers in	860,924	36,667				897,591
Operating transfers out	(65,082)		(860,924)			(926,006)
Proceeds from sale of assets	219					219
Total other financing sources (uses)	796,061	36,667	(860,924)			(28,196)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing	18,936	(8,382)	0	(141,456)	2,042	(128,860)
Fund balances (deficit), July 1	(1,094,120)	38,504	0	388,140	300	(667,176)
Fund balances (deficit), June 30	(\$1,075,184)	\$30,122	\$0	\$246,684	\$2,342	(\$796,036)

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

JACKSON-MILTON SCHOOL DISTRICT
MAHoning COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1999

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$2,078,042	\$2,102,511	\$24,469	\$813,784	\$813,784	\$0	\$208,696	\$208,696	\$0	\$209,469	\$209,469	\$0	\$3,309,991	\$3,334,460	\$24,469
Tuition.....	40,157	40,157	0										40,157	40,157	0
Earnings on investments.....	29,760	29,756	(4)							67	67	0	29,827	29,823	(4)
Other local revenues.....	19,256	19,256	0	119,895	119,895	0				4,045	4,045	0	143,196	143,196	0
Other revenue.....	32,623	32,623	0										32,623	32,623	0
Intergovernmental - State.....	2,223,966	2,223,966	0	136,870	136,870	0	365,920	365,920	0	20,120	20,120	0	2,746,876	2,746,876	0
Intergovernmental - Federal.....				185,709	185,709	0							185,709	185,709	0
Total revenues.....	4,423,804	4,448,269	24,465	1,256,258	1,256,258	0	574,616	574,616	0	233,701	233,701	0	6,488,379	6,512,844	24,465
Expenditures:															
Current:															
Instruction:															
Regular.....	2,068,874	2,068,874	0	960,280	960,280	0				57,478	57,478	0	3,086,632	3,086,632	0
Special.....	379,654	379,654	0	187,771	187,771	0							567,425	567,425	0
Vocational.....	170,267	170,267	0										170,267	170,267	0
Other.....	70,770	70,770	0										70,770	70,770	0
Support services:															
Pupil.....	178,068	178,068	0	6,684	6,684	0							178,068	178,068	0
Instructional staff.....	79,258	79,258	0										85,942	85,942	0
Board of Education.....	52,449	52,449	0										52,449	52,449	0
Administration.....	561,475	561,475	0	6,171	6,171	0				5,301	5,301	0	567,646	567,646	0
Fiscal.....	244,115	244,231	(116)	46,792	46,792	0							296,208	296,324	(116)
Operations and maintenance.....	446,891	446,891	0							134,563	134,563	0	446,891	446,891	0
Pupil transportation.....	378,137	378,137	0	108,038	108,038	0							292,922	292,922	0
Extracurricular activities.....	184,884	184,884	0							275,722	275,722	0	275,722	275,722	0
Facilities acquisition and construction.....															
Debt service:															
Principal retirement.....							879,344	879,344	0				879,344	879,344	0
Interest and fiscal charges.....							106,009	75,833	30,176				106,009	75,833	30,176
Total expenditures.....	4,814,842	4,814,938	(116)	1,315,736	1,315,736	0	985,353	955,177	30,176	473,064	473,064	0	7,588,995	7,558,935	30,060
Excess (deficiency) of revenues over (under) expenditures.....	(391,038)	(366,669)	24,369	(59,478)	(59,478)	0	(410,737)	(380,561)	30,176	(239,363)	(239,363)	0	(1,100,616)	(1,046,091)	54,525
Other financing sources (uses):															
Refund of prior year's expenditures.....	692	692	0										692	692	0
Operating transfers in.....	(65,090)	(65,090)	0	36,666	36,666	0							36,666	36,666	0
Operating transfers (out).....	13,610	13,610	0										(65,090)	(65,090)	0
Advances in.....													13,610	13,610	0
Advances (out).....				(261)	(261)	0							(261)	(261)	0
Proceeds from sale of fixed assets.....	179	179	0										179	179	0
Proceeds from advance assistance loan.....	291,439	291,439	0				380,561	380,561	0				672,000	672,000	0
Total other financing sources (uses).....	240,830	240,830	0	36,405	36,405	0	(380,561)	(380,561)	0				657,796	657,796	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(150,208)	(125,859)	24,349	(23,073)	(23,073)	0	(30,176)	0	30,176	(239,363)	(239,363)	0	(442,820)	(388,295)	54,525
Fund balances, July 1.....	340,682	340,682	0	68,391	68,391	0				237,080	237,080	0	646,153	646,153	0
Prior year encumbrances appropriated.....	16,197	16,197	0	3,644	3,644	0				151,060	151,060	0	170,901	170,901	0
Fund balances, June 30.....	\$206,671	\$231,020	\$24,349	\$48,962	\$48,962	\$0	(\$30,176)	\$0	\$30,176	\$148,777	\$148,777	\$0	\$374,234	\$428,759	\$54,525

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Proprietary Fund Type</u>
	<u>Enterprise</u>
Operating revenues:	
Tuition and fees	\$13,237
Sales/charges for services	<u>132,628</u>
Total operating revenues	<u>145,865</u>
Operating expenses:	
Personal services	124,623
Contract services	6,815
Materials and supplies	129,834
Depreciation	2,850
Other operating expenses	<u>764</u>
Total operating expenses	<u>264,886</u>
Operating loss	<u>(119,021)</u>
Nonoperating revenues:	
Operating grants	99,343
Taxes	363
Federal commodities	9,674
Interest revenue	<u>4</u>
Total nonoperating revenues	<u>109,384</u>
Net loss before operating transfers	(9,637)
Operating transfers in	<u>28,415</u>
Net income	18,778
Retained earnings	
(accumulated deficit), July 1	<u>(40,792)</u>
Retained earnings	
(accumulated deficit), June 30	<u><u>(\$22,014)</u></u>

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$13,177
Cash received from sales/service charges	132,628
Cash payments for personal services	(117,523)
Cash payments for contract services	(6,815)
Cash payments materials and supplies	(119,874)
Cash payments for claims expenses	
Cash payments for other expenses	(764)
Net cash used in operating activities	(99,171)
Cash flows from noncapital financing activities:	
Cash received from operating grants	83,054
Cash used for repayment of interfund loans	(13,349)
Cash received from nonoperating activities	363
Transfers in from other funds	28,415
Net cash provided by noncapital financing activities	98,483
Cash flows from capital and related financing activities:	
Gain(Loss) on disposal of capital assets	
Acquisition of capital assets	0
Net cash used in capital and related financing activities	0
Cash flows from investing activities:	
Interest received	4
Net cash provided by investing activities	4
Net decrease in cash and cash equivalents	(684)
Cash and cash equivalents at beginning of year	942
Cash and cash equivalents at end of year	\$258
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$119,021)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	2,850
Federal donated commodities	9,674
Interest reported as operating income	
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(774)
Increase in accounts receivable	(60)
Increase in accounts payable	381
Increase in accrued wages and benefits	4,799
Increase in compensated absences payable	940
Increase in pension obligation payable	1,361
Increase(Decrease) in claims payable	
Increase in deferred revenue	679
Net cash used in operating activities	(\$99,171)

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

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 498th largest by total revenue among the 612 districts in the State. Average daily membership as of June 30, 1999 was 1,040. The District employed 69 certified employees and 45 non-certified employees.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. Reporting Entity

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 this criterion 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 following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATION

Area Cooperative Computerized Educational Service (ACCESS)

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

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

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

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

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

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

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

PROPRIETARY FUNDS

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

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

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

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

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

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2000 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue.

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

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

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

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statements as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

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

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

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

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

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

5. 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.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 1999.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types and Note 12 provides disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end.

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

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

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

E. Cash and Investments

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

During fiscal 1999, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 1999 amounted to \$29,741, which includes \$16,993 assigned from other District funds.

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

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

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

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

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

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

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

G. Prepaids

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

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

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

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Title VI

Education Management Information Systems (EMIS)

Title I

Title VI-B

Drug-Free Grant

Disadvantaged Pupil Impact Aid

Professional Development Block Grant

Textbook/Instructional Media Subsidy

Emergency Levy

Continuous Improvement

Reimbursable Grants

General Fund

Driver Education Reimbursement

School Bus Purchase Program

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

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

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

Reimbursable Grants - (Continued)

Enterprise Fund
National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 45% of the District's operating revenue during the 1999 fiscal year.

I. Compensated Absences

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

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

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

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

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

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

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

J. Long-Term Obligations

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

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal interest. GAAP requires the allocation of the debt liability among the general and the general long-term obligations account group, with principal and interest payments on matured general long-term debt being reported in the debt service fund. To comply with the 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 principal and interest have also been allocated accordingly.

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

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

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

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

K. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

L. Interfund Transactions

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

1. *Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.*
2. *Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.*
3. *Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable and payable at June 30, 1999.*
4. *Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable and payable at June 30, 1999.*

An analysis of interfund transactions is presented in Note 5.

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

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

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 17 for detail of statutory reserves.

N. Estimates

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

O. Inventory

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

P. Memorandum Only - Total Columns

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 1999 included the following individual fund deficits:

	<u>Deficit Balance</u>
General Fund	\$(1,075,184)
<u>Special Revenue Funds</u>	
Emergency Levy	(8,002)
Professional Development Block Grant	(25)
Management Information Systems	(2,363)
Disadvantaged Pupil Impact Aid	(7,549)
Title VI-B	(5,925)
Title I	(2,460)
Drug Free School Grant	(143)
<u>Enterprise Fund</u>	
Food service	(22,173)

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

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit fund balance in the general fund is caused by the recognition of a Solvency Assistance Loan as a fund liability rather than as an "other financing source". This deficit will be eliminated as resources became available for the retirement of this obligation.

The deficit fund balances in the Emergency Levy, Professional Development Block Grant, Management Information Systems, Disadvantaged Pupil Impact Aid, Title VI-B, Title I and the Drug Free School Grant special revenue funds are caused by accruing wage, benefit and retirement obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

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

Cash on hand: At fiscal year end, the District had \$1,000 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year end, the carrying amount of the District's deposits was \$(32,848) and the bank balance was \$98. The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

	Category <u>3</u>	Reported <u>Amount</u>	Fair <u>Value</u>
Repurchase agreement	<u>\$619,044</u>	\$619,044	\$619,044
Total	<u>\$619,044</u>		
Investment in STAR Ohio		<u>736</u>	<u>736</u>
Total investments		<u>\$619,780</u>	<u>\$619,780</u>

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

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

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

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 587,932	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(619,044)	619,044
Investment in STAR Ohio	(736)	736
Cash on hand	<u>(1,000)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (32,848)</u>	<u>\$619,780</u>

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

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

NOTE 5 - INTERFUND TRANSACTIONS

The following is a summarized breakdown of the District's operating transfers for fiscal year 1999:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$860,924	\$ 65,082
<u>Special Revenue Funds</u>		
Disadvantaged Pupil Impact Aid	13,400	---
Management Information Systems	23,267	---
Debt Service Fund		860,924
<u>Enterprise Funds</u>		
Food Services	22,011	---
Uniform School Supplies	<u>6,404</u>	<u>---</u>
Totals	<u>\$926,006</u>	<u>\$926,006</u>

NOTE 6 - PROPERTY TAXES

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1998 taxes were collected was \$105,341,360. Agricultural/residential and public utility/minerals real estate represented \$62,745,090 or 59.6% of this total, commercial & industrial real estate represented \$15,615,980 or 14.8% of this total, public utility tangible represented \$14,930,280 or 14.2% of this total and general tangible property represented \$12,050,010 or 11.4% of this total. The voted general tax rate at the fiscal year ended June 30, 1999 was \$50.20 per \$1,000.00 of assessed valuation for operations and \$.90 per \$1,000.00 of assessed valuation for permanent improvements.

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

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. There were no tax advances available at June 30, 1999.

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

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

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts, accrued interest, and intergovernmental state and federal revenues (to the extent they are intended to finance the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. Taxes receivable are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. Intergovernmental receivables are collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$2,438,999
Accounts	14,952
<u>Special Revenue Funds</u>	
Taxes - current & delinquent	1,380,839
Due from other governments	19,624
<u>Debt Service Fund</u>	
Taxes - current & delinquent	79,770
<u>Capital Projects Funds</u>	
Taxes - current & delinquent	231,102
<u>Enterprise Funds</u>	
Due from other governments	16,289

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

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

NOTE 8 - FIXED ASSETS

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

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Land/ improvements	\$ 18,723	\$ ---	\$ ---	\$ 18,723
Buildings/ improvements	3,531,401	149,456	---	3,680,857
Furniture/ equipment	557,969	81,876	(560)	639,285
Vehicles	<u>605,097</u>	<u>7,500</u>	<u>---</u>	<u>612,597</u>
Total	<u>\$4,713,190</u>	<u>\$238,832</u>	<u>\$(560)</u>	<u>\$4,951,462</u>

A summary of the proprietary fixed assets at June 30, 1999 follows:

Furniture and equipment	\$47,086
Less: accumulated depreciation	<u>(43,064)</u>
Net fixed assets	<u>\$ 4,022</u>

NOTE 9 - LONG-TERM OBLIGATIONS

- A. The District has three long-term debt obligations outstanding at June 30, 1999. They include a general obligation bond and two energy conservation loans. The general obligation bond outstanding, issued to provide funds for the acquisition of school buses, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment.

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

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

The following is a description of the District's long-term obligations outstanding as of June 30, 1999:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Balance July 1, 1998</u>	<u>Retired</u>	<u>Balance June 30, 1999</u>
General Obligation Bond	5.70%	03/05/05	\$130,000	\$(15,000)	\$115,000
Energy Conservation Loan	5.75%	03/27/02	145,646	(33,380)	112,266
Energy Conservation Loan	5.50%	06/01/13	<u>295,000</u>	<u>(15,000)</u>	<u>280,000</u>
Total			<u>\$570,646</u>	<u>\$(63,380)</u>	<u>\$507,266</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a description of the District's annual requirements to amortize the bond and loans outstanding, including interest payments of \$20,120 for the general obligation bond and \$140,568 for the energy conservation loans.

<u>Fiscal Year Ending</u>	<u>Principal and Interest On Bond</u>	<u>Principal and Interest On Loans</u>	<u>Total</u>
2000	\$ 20,970	\$ 71,686	\$ 92,656
2001	25,045	70,861	95,906
2002	24,560	70,037	94,597
2003	23,700	27,925	51,625
2004	20,845	27,100	47,945
2005 - 2009	20,000	145,375	165,375
2010 - 2013	---	<u>119,850</u>	<u>119,850</u>
Total	<u>\$135,120</u>	<u>\$532,834</u>	<u>\$667,954</u>

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 1999</u>
Compensated absences	\$ 436,183	\$ 64,474	\$ (68,791)	\$431,866
Pension obligation payable	53,845	50,686	(53,845)	50,686
General obligation bond payable	130,000	---	(15,000)	115,000
Energy conservation loan	<u>440,646</u>	<u>---</u>	<u>(48,380)</u>	<u>392,266</u>
Total	<u>\$1,060,674</u>	<u>\$115,160</u>	<u>\$(186,016)</u>	<u>\$989,818</u>

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

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

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 1999 are a voted debt margin of \$9,365,722 and an unvoted debt margin of \$105,341.

NOTE 10 - NOTES PAYABLE

A summary of the loan and note transactions for the year ended June 30, 1999, follows:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance July 1, 1998</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1999</u>
<u>General Fund</u>							
Spending Reserve Borrowing	5.50%	02/25/98	12/31/98	\$132,000	\$ ---	\$(132,000)	\$ 0
State Loan	5.55%	03/03/98	06/30/00	684,000	---	(684,000)	0
Solvency Assistance Loan	0%	07/20/99	06/30/01	---	<u>672,000</u>	---	<u>672,000</u>
				<u>\$816,000</u>	<u>\$672,000</u>	<u>\$(816,000)</u>	<u>\$672,000</u>

During fiscal 1998, the District obtained an emergency school loan in the amount of \$684,000 secured by the State of Ohio. The State loan is being repaid from State Foundation payments. The State loan is recorded as a liability of the general fund, the fund which received the proceeds. This loan was retired during fiscal 1999.

During fiscal 1998, the District renewed a spending reserve tax anticipation note for \$132,000 for the purpose of paying current expenses. This note is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. This note is a liability of the general fund, the fund which received the proceeds. This note was retired during fiscal 1999.

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

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

NOTE 10 - NOTES PAYABLE - (Continued)

During fiscal 1999, the District received a solvency assistance loan in the amount of \$672,000 from the State of Ohio. The loan is being paid from State Foundation payments. The solvency assistance loan is recorded as a liability of the general fund, the fund which received the proceeds.

Principal and interest requirements to retire the solvency assistance loan outstanding at June 30, 1999, follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$336,000	\$ ---	\$336,000
2001	<u>336,000</u>	<u>---</u>	<u>-336,000</u>
	<u>\$672,000</u>	<u>\$ ---</u>	<u>\$672,000</u>

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment, and instruments. The comprehensive commercial insurance coverage limits are \$15,496,000 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

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

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

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Mahoning County Employee Insurance Consortium

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

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

The District pays the insurance premiums for the classified employees. The District pays the insurance premiums for the certified employees, except for ten percent of their health insurance premium, which is paid by the employees.

The health and dental coverage is administered by Core Source, a third party administrator. National Life Insurance Company provides the life insurance coverage.

C. Worker's Compensation

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

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

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

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

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

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 1999.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	132,628	13,237	145,865
Operating expenses before depreciation	241,639	20,397	262,036
Depreciation	2,850	---	2,850
Operating loss	(111,861)	(7,160)	(119,021)
Operating grants	99,343	---	99,343
Operating transfers in	22,011	6,404	28,415
Net income (loss)	19,534	(756)	18,778
Net working capital	(13,962)	159	(13,803)
Total assets	28,419	159	28,578
Total liabilities	50,592	---	50,592
Total equity (deficit)	(22,173)	159	(22,014)
Encumbrances outstanding at June 30	128	99	227

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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 for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$126,884, \$133,811, and \$114,826, respectively; 52 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$60,768, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$573,665, \$566,304, and \$552,643, respectively; 89 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$65,740, representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$327,809 during fiscal 1999.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 billion at June 30, 1998 (the latest information available). For the year ended June 30, 1998 (the latest information available), net health care costs paid by STRS were \$219.224 million and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

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 (the latest information available), SERS had net assets available for payment of health care benefits of \$160.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$62,316 during the 1999 fiscal year.

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>
Budget basis	\$(125,859)	\$(23,073)	\$ ---	\$(239,363)
Net adjustment for revenue accruals	(380,476)	19,628	380,561	---
Net adjustment for expenditure accruals	(47,093)	(20,552)	860,924	(17,493)
Net adjustment for other financing sources (uses)	555,231	262	(1,241,485)	---
Encumbrances (budget basis)	<u>17,133</u>	<u>15,353</u>	<u>---</u>	<u>115,400</u>
GAAP basis	<u>\$ 18,936</u>	<u>\$ (8,382)</u>	<u>\$ ---</u>	<u>\$(141,456)</u>

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

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

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

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

C. 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 State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received total support of \$2,315,519.

Also, the Court declared the spending reserve borrowing program unconstitutional. The spending reserve 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 did not borrow under this program. However, the District repaid \$132,000 borrowed in fiscal year 1998. Historically, the District has relied on this borrowing to meet its cash flow needs at the end of each fiscal year. State statute has recently been amended to gradually decrease the annual amount that may be borrowed under this program.

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

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

NOTE 16 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature 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 District is unable to determine that effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1998	\$ 0	\$ 0	\$35,463
Current year set-aside requirement	87,955	87,955	---
Current year offsets	---	---	---
Qualifying disbursements	<u>(95,028)</u>	<u>(229,589)</u>	<u>---</u>
Total	<u>\$ (7,073)</u>	<u>\$(141,634)</u>	<u>\$35,463</u>
Cash balance carried forward to FY 2000	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$35,463</u>

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

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

NOTE 17 - STATUTORY RESERVES - (Continued)

Although the District had offsets 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 the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	<u>\$35,463</u>
Total restricted assets	<u>\$35,463</u>

NOTE 18 - FISCAL EMERGENCY

The District was placed under fiscal emergency by the Auditor of State in April 1998 and remains under fiscal emergency as of the date of these financial statements. The declaration of fiscal emergency results from several years of spending exceeding revenues, relying on carry over cash balances from prior years, and borrowing to finance recent deficits.

The financial operation of the District has in part been turned over to the Financial Planning and Supervision Commission. The Commission is comprised of seven members including the Superintendent of Public Instruction, the Superintendent of Jackson-Milton Local School District and the Mahoning County Auditor.

The Jackson-Milton Local School District developed with the Financial Planning and Supervision staff a fiscally responsible program that has enabled the District to work toward becoming fiscally solvent. The plan called for reductions of operating expenditures and the passage of a 9.9 mill five year emergency operating levy. While the District has accomplished these aforementioned steps it is currently working on contract negotiations described in Note 19.

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

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

NOTE 19 - SUBSEQUENT EVENTS

The District passed a 3.6 mil five year renewal levy on March 7, 2000. This will provide the District with estimated revenue of \$383,088 each year.

The Jackson-Milton Board of Education and the Jackson-Milton Educators' Association master agreement covered the period from July 1, 1996 to June 30, 2000. The language on the contract left a question as to whether the fourth year of the contract was legal. The District took this question to SERB and in the meantime did not pay teachers at the Fiscal Year 2000 rates as stated in the union agreement, but the teachers were given the proper step increases. The teachers would have received a 4% increase. The 4% increase is now contingent upon the settlement agreement to be determined by SERB. If it is determined the District will be liable for the 4% increase, the amount will have to be paid out in August of 2000 and the estimated liability is \$120,000.



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OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the financial statements of Jackson-Milton Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated March 31, 2000. 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 Jackson-Milton Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 31, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson-Milton Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over 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

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

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 March 31, 2000.

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



JIM PETRO
Auditor of State
March 31, 2000



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JACKSON-MILTON LOCAL SCHOOL DISTRICT - MAHONING COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: MAY 18 2000