



**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Board of Education
Jackson Milton Local School District
Mahoning County
14110 Mahoning Ave.
North Jackson, Ohio 44451

To the Board of Education,

We have audited the accompanying general-purpose financial statements of the Jackson Milton Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jackson Milton Local School District, Mahoning County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 20, 2001

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JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<u>ASSETS AND OTHER DEBITS</u>									
ASSETS:									
Equity in pooled cash and cash equivalents	\$845,344	\$106,955		\$56,905	\$2,262	\$10,251			\$1,021,717
Receivables (net of allowances of uncollectibles):									
4 Taxes - current & delinquent	2,992,959	1,439,488	\$78,156	305,997					4,816,600
Accounts	589	265			434				1,288
Due from other governments					12,863				12,863
Interfund loans receivable	5,612								5,612
Prepayments	5,262								5,262
Materials and supplies inventory					4,042				4,042
Resrticted assets:									
Equity in pooled cash and cash equivalents	36,352								36,352
Property, plant and equipment (net of accumulated depreciation where applicable)					14,619		\$5,320,246		5,334,865
OTHER DEBITS:									
Amount to be provided for retirement of general long term obligations								\$1,000,085	1,000,085
Total assets and other debits	<u>\$3,886,118</u>	<u>\$1,546,708</u>	<u>\$78,156</u>	<u>\$362,902</u>	<u>\$34,220</u>	<u>\$10,251</u>	<u>\$5,320,246</u>	<u>\$1,000,085</u>	<u>\$12,238,686</u>

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Trust and Agency	General	General	
							Fixed Assets	Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$25,755	\$1,161		\$1,122	\$24				\$28,062
Accrued wages and benefits	719,378	47,490			16,857	\$1			783,726
Compensated absences payable	37,156				7,517		\$576,895		621,568
Pension obligation payable	98,950	1,002			8,267		53,623		161,842
Deferred revenue	2,992,959	1,439,488	\$78,156	305,997	2,952				4,819,552
Due to other governments.						1,550			1,550
Due to students						6,576			6,576
Interfund loans payable		5,150				462			5,612
Energy conservation notes payable								289,567	289,567
General obligation bonds payable.								80,000	80,000
Total liabilities	3,874,198	1,494,291	78,156	307,119	35,617	8,589		1,000,085	6,798,055
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets							\$5,320,246		5,320,246
Contributed capital					10,475				10,475
Retained earnings (accumulated deficit): unreserved					(11,872)				(11,872)
Fund balances:									
Reserved for encumbrances	6,809	25,419		8,677					40,905
Reserved for BWC refunds	36,352								36,352
Reserved for prepayments.	5,262								5,262
Unreserved:									
Designated for budget stabilization.	295,463								295,463
Unreserved-undesignated (deficit)	(331,966)	26,998		47,106		1,662			(256,200)
Total equity and other credits	11,920	52,417		55,783	(1,397)	1,662	5,320,246		5,440,631
Total liabilities, equity and other credits.	\$3,886,118	\$1,546,708	\$78,156	\$362,902	\$34,220	\$10,251	\$5,320,246	\$1,000,085	\$12,238,686

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, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$2,867,176	\$1,289,940	\$70,861	\$256,058		\$4,484,035
Tuition	58,414					58,414
Earnings on investments	47,857					47,857
Extracurricular activities		74,036				74,036
Other local revenues	12,937	56,037		6,100	\$900	75,974
Other revenue	23,710				4,000	27,710
Intergovernmental - State	2,728,237	181,752	25,045	78,181		3,013,215
Intergovernmental - Federal		231,764				231,764
Total revenue	5,738,331	1,833,529	95,906	340,339	4,900	8,013,005
Expenditures:						
Current:						
Instruction:						
Regular	1,843,050	1,460,266		68,389	3,737	3,375,442
Special	514,306	195,639				709,945
Vocational	165,813					165,813
Support services:						
Pupil	98,529	1,060				99,589
Instructional staff	118,292	15,501				133,793
Board of Education	113,319					113,319
Administration	593,652					593,652
Fiscal	263,781	55,461		4,773		324,015
Operations and maintenance	684,354			18,000		702,354
Pupil transportation	489,791			100,000		589,791
Extracurricular activities	185,983	122,631				308,614
Facilities services				239,299	20	239,319
Debt service:						
Principal retirement			70,239			70,239
Interest and fiscal charges			25,667			25,667
Total expenditures	5,070,870	1,850,558	95,906	430,461	3,757	7,451,552
Excess (deficiency) of revenues over (under) expenditures	667,461	(17,029)	0	(90,122)	1,143	561,453
Other financing sources (uses):						
Operating transfers in		35,285				35,285
Operating transfers out	(59,800)	(1,185)				(60,985)
Proceeds from sale of fixed assets	8,494					8,494
Total other financing sources (uses)	(51,306)	34,100				(17,206)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	616,155	17,071	0	(90,122)	1,143	544,247
Fund balances (deficit), July 1	(604,235)	35,346	0	145,905	519	(422,465)
Fund balances, June 30	\$11,920	\$52,417	\$0	\$55,783	\$1,662	\$121,782

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

JACKSON-MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes.....	\$2,867,176	\$2,867,176	\$0	\$1,289,992	\$1,289,992	\$0	\$70,861	\$70,861	\$0	\$256,058	\$256,058	\$0	\$4,484,087	\$4,484,087	\$0
Tuition.....	58,414	58,414	0										58,414	58,414	0
Earnings on investments.....	48,248	48,248	0										48,248	48,248	0
Extracurricular activities.....				73,771	73,771	0							73,771	73,771	0
Other local revenues.....	12,422	12,422	0	56,213	56,213	0				6,100	6,100	0	74,735	74,735	0
Other revenue.....	23,710	23,710	0										23,710	23,710	0
Intergovernmental - State.....	2,363,210	2,363,210	0	181,751	181,751	0	361,045	361,045	0	78,181	78,181	0	2,984,187	2,984,187	0
Intergovernmental - Federal.....				231,764	231,764	0							231,764	231,764	0
Total revenues.....	<u>5,373,180</u>	<u>5,373,180</u>	<u>0</u>	<u>1,833,491</u>	<u>1,833,491</u>	<u>0</u>	<u>431,906</u>	<u>431,906</u>	<u>0</u>	<u>340,339</u>	<u>340,339</u>	<u>0</u>	<u>7,978,916</u>	<u>7,978,916</u>	<u>0</u>
Expenditures:															
Current:															
Instruction:															
Regular.....	1,707,966	1,707,966	0	1,453,472	1,453,472	0				68,388	68,388	0	3,229,826	3,229,826	0
Special.....	502,535	502,535	0	190,730	190,730	0							693,265	693,265	0
Vocational.....	161,173	161,173	0										161,173	161,173	0
Other.....	8,099	8,099	0										8,099	8,099	0
Support services:															
Pupil.....	106,327	106,327	0	1,060	1,060	0							107,387	107,387	0
Instructional staff.....	116,301	116,301	0	15,529	15,529	0							131,830	131,830	0
Board of Education.....	114,132	114,132	0										114,132	114,132	0
Administration.....	617,292	617,292	0										617,292	617,292	0
Fiscal.....	265,103	265,103	0	55,711	55,711	0				4,773	4,773	0	325,587	325,587	0
Operations and maintenance.....	678,333	678,333	0							18,000	18,000	0	696,333	696,333	0
Pupil transportation.....	479,123	479,123	0							100,000	100,000	0	579,123	579,123	0
Extracurricular activities.....	185,407	185,407	0	150,302	150,302	0							335,709	335,709	0
Facilities services.....										288,882	288,882	0	288,882	288,882	0
Debt service:															
Principal retirement.....							406,243	406,243	0				406,243	406,243	0
Interest and fiscal charges.....							25,663	25,663	0				25,663	25,663	0
Total expenditures.....	<u>4,941,791</u>	<u>4,941,791</u>	<u>0</u>	<u>1,866,804</u>	<u>1,866,804</u>	<u>0</u>	<u>431,906</u>	<u>431,906</u>	<u>0</u>	<u>480,043</u>	<u>480,043</u>	<u>0</u>	<u>7,720,544</u>	<u>7,720,544</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>431,389</u>	<u>431,389</u>	<u>0</u>	<u>(33,313)</u>	<u>(33,313)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(139,704)</u>	<u>(139,704)</u>	<u>0</u>	<u>258,372</u>	<u>258,372</u>	<u>0</u>
Other financing sources (uses):															
Refund of prior year's expenditures.....	30,123	30,123	0										30,123	30,123	0
Refund of prior year's receipts.....	(14,226)	(14,226)	0										(14,226)	(14,226)	0
Operating transfers in.....				37,373	37,373	0							37,373	37,373	0
Operating transfers out.....	(60,000)	(60,000)	0	(3,273)	(3,273)	0							(63,273)	(63,273)	0
Advances in.....	4,764	4,764	0	5,149	5,149	0							9,913	9,913	0
Advances out.....	(5,611)	(5,611)	0	(2,680)	(2,680)	0							(8,291)	(8,291)	0
Proceeds of sale of fixed assets.....	8,493	8,493	0										8,493	8,493	0
Total other financing sources uses..	<u>(36,457)</u>	<u>(36,457)</u>	<u>0</u>	<u>36,569</u>	<u>36,569</u>	<u>0</u>							<u>112</u>	<u>112</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)...	<u>394,932</u>	<u>394,932</u>	<u>0</u>	<u>3,256</u>	<u>3,256</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(139,704)</u>	<u>(139,704)</u>	<u>0</u>	<u>258,484</u>	<u>258,484</u>	<u>0</u>
Fund balances, July 1.....	416,137	416,137	0	63,386	63,386	0	0	0	0	137,050	137,050	0	616,573	616,573	0
Prior year encumbrances appropriated...	60,231	60,231	0	13,733	13,733	0	0	0	0	49,760	49,760	0	123,724	123,724	0
Fund balances, June 30.....	<u>\$871,300</u>	<u>\$871,300</u>	<u>\$0</u>	<u>\$80,375</u>	<u>\$80,375</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$47,106</u>	<u>\$47,106</u>	<u>\$0</u>	<u>\$998,781</u>	<u>\$998,781</u>	<u>\$0</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 REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$106
Sales/charges for services	133,236
Total operating revenues	133,342
Operating expenses:	
Personal services	122,195
Contract services	9,090
Materials and supplies.	128,238
Depreciation	838
Other operating expenses.	1,696
Total operating expenses	262,057
Operating loss.	(128,715)
Nonoperating revenues:	
Operating grants	82,355
Taxes	39
Federal commodities	9,868
Other nonoperating revenues	3,388
Total nonoperating revenues	95,650
Net loss before operating transfers	(33,065)
Operating transfers in.	25,700
Net loss	(7,365)
Retained earnings (accumulated deficit), July 1	(4,507)
Retained earnings (accumulated deficit), June 30	(\$11,872)

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, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$11,050
Cash received from sales/charges for services	122,110
Cash payments for personal services.	(118,143)
Cash payments for contract services	(9,194)
Cash payments for materials and supplies	(117,086)
Cash payments for other expenses	(1,696)
	(112,959)
Cash flows from noncapital financing activities:	
Cash received from operating grants.	85,683
Cash received from nonoperating activities	3,427
Transfers in from other funds	25,700
	114,810
Cash flows from investing activities:	
Interest received	137
	137
Net cash provided by investing activities	137
Net increase in cash and cash equivalents.	1,988
Cash and cash equivalents at beginning of year.	274
Cash and cash equivalents at end of year	\$2,262
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	(\$128,715)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation.	838
Federal donated commodities	9,868
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	562
Increase in accounts receivable	(182)
Decrease in accounts payable.	(785)
Increase in accrued wages and benefits	2,739
Increase in compensated absences payable	1,423
Decrease in pension obligation payable	(110)
Increase in deferred revenue.	1,403
	1,403
Net cash used in operating activities.	(\$112,959)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 509th largest by total revenue among the 682 public and community school districts in the State. Average daily membership as of June 30, 2001 was 986. 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, 2001**

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 ORGANIZATIONS

Area Cooperative Computerized Educational Service (ACCESS)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

Mahoning County Career & Technical Center

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

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. There were no 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, 2001**

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, 2000 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2001 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2001.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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 2001, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$47,857, which includes \$11,803 assigned from other District funds.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

The District has reported "Cash and Cash Equivalents in Segregated Accounts" for depository and repurchase agreement balances in the payroll clearance account at June 30, 2001. This balance is reported as an agency fund.

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

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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 year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. 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

Emergency Levy

Continuous Improvement

Title VI-R

SchoolNet Professional Development

Summer School Subsidy

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

Non-Reimbursable Grants - (Continued)

Special Revenue Funds - (continued)

Extended Learning Grant
School Conflict Management Grant
Title II
Ohio Reads
Safe School Help Line

Capital Projects Fund

Permanent Improvement
SchoolNet

Reimbursable Grants

General Fund

Driver Education Reimbursement
School Bus Purchase Program

Enterprise Fund

National School Breakfast Program
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 40.1% of the District's operating revenue during the 2001 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

K. Fund Reserves/Designations

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, Bureau of Worker's Compensation (BWC) refunds, and prepayments. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

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 short-term interfund loans receivable and payable at June 30, 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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, 2001.

An analysis of interfund transactions is presented in Note 5.

M. 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.

N. 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.

O. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances/Retained Earnings

Fund balance/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ (869)
Disadvantaged Pupil Impact Aid	(7,536)
Title I	(22,749)
Drug Free School Grant	(399)
Emergency Levy	(3,588)
 <u>Enterprise Fund</u>	
Food Service	(14,386)

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

The deficit fund balances in the Emergency Levy, Management Information Systems, Disadvantaged Pupil Impact Aid, 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit retained earnings in the Food Service enterprise fund is a result of accruing wage, benefit, 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.

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$(2,208) and the bank balance was \$2,020. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the “zero-balance” nature of the District’s bank accounts. The negative carrying amount of deposits is due to the sweeping of monies into overnight repurchase agreements which are reported as “investments”. The entire bank balance was covered by federal depository insurance.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$1,059,452</u>	\$1,059,452	\$1,059,452
Total	<u>\$1,059,452</u>		
Investment in STAR Ohio		<u>825</u>	<u>825</u>
Total investments		<u>\$1,060,277</u>	<u>\$1,060,277</u>

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 1,058,069	\$ 0
Investments of the cash management pool:		
Repurchase agreement	(1,059,452)	1,059,452
Investment in STAR Ohio	<u>(825)</u>	<u>825</u>
GASB Statement No. 3	<u>\$ (2,208)</u>	<u>\$1,060,277</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 5 - INTERFUND TRANSACTIONS

- A.** The following is a summarized breakdown of the District's interfund loans receivable and payable at June 30, 2001.

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$5,612	\$ - - -
<u>Special Revenue Funds</u>		
District Managed Student Activities	- - -	5,150
<u>Agency Fund</u>		
Student Managed Activity	<u>- - -</u>	<u>462</u>
Totals	<u>\$5,612</u>	<u>\$5,612</u>

- B.** The following is a summarized breakdown of the District's operating transfers for fiscal year 2001.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$59,800
<u>Special Revenue Funds</u>		
Management Information Systems	27,000	- - -
Public School Support	1,185	- - -
District Managed Student Activities	7,100	1,185
<u>Enterprise Funds</u>		
Uniform School Supplies	20,000	- - -
Food Service	<u>5,700</u>	<u>- - -</u>
Totals	<u>\$60,985</u>	<u>\$60,985</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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%.

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 2000 taxes were collected was \$132,938,730. Agricultural/residential and public utility/minerals real estate represented \$84,072,030 or 63.24% of this total, commercial & industrial real estate represented \$20,699,450 or 15.57% of this total, public utility tangible represented \$13,640,640 or 10.26% of this total and general tangible property represented \$14,526,610 or 10.93% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$45.8 per \$1,000.00 of assessed valuation for operations and \$2.4 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. 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, 2001.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 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	\$2,992,959
Accounts	589
 <u>Special Revenue Funds</u>	
Taxes - current & delinquent	1,439,488
Accounts	265
 <u>Debt Service Fund</u>	
Taxes - current & delinquent	78,156
 <u>Capital Projects Funds</u>	
Taxes - current & delinquent	305,997
 <u>Enterprise Funds</u>	
Accounts	434
Due from other governments	12,863

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Land/improvements	\$ 18,723	\$ 56,750	\$ ---	\$ 75,473
Buildings/improvements	3,747,235	109,327	---	3,856,562
Furniture/equipment	721,772	91,533	---	813,305
Vehicles	<u>624,735</u>	<u>51,310</u>	<u>(101,139)</u>	<u>574,906</u>
Total	<u>\$5,112,465</u>	<u>\$308,920</u>	<u>\$(101,139)</u>	<u>\$5,320,246</u>

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 78,294
Less: accumulated depreciation	<u>(63,675)</u>
Net fixed assets	<u>\$ 14,619</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. The District has three long-term debt obligations outstanding at June 30, 2001. 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.

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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, 2001:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Balance July 1, 2000</u>	<u>Retired</u>	<u>Balance June 30, 2001</u>
General Obligation Bond	5.70%	03/05/05	\$100,000	\$(20,000)	\$ 80,000
Energy Conservation Notes	5.75%	03/27/02	74,806	(35,239)	39,567
Energy Conservation Notes	5.50%	06/01/13	<u>265,000</u>	<u>(15,000)</u>	<u>250,000</u>
Total			<u>\$439,806</u>	<u>\$(70,239)</u>	<u>\$369,567</u>

The following is a description of the District's future annual debt service requirements to amortize the general obligation bond outstanding at June 30, 2001:

<u>Fiscal Year Ending</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2002	\$20,000	\$4,560	\$24,560
2003	20,000	3,700	23,700
2004	20,000	845	20,845
2005	<u>20,000</u>	<u>---</u>	<u>20,000</u>
Total	<u>\$80,000</u>	<u>\$9,105</u>	<u>\$89,105</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's future annual debt service requirements to amortize the energy conservation notes outstanding at June 30, 2001:

<u>Fiscal Year Ending</u>	<u>Principal on Notes</u>	<u>Interest on Notes</u>	<u>Total</u>
2002	\$ 54,567	\$ 17,416	\$ 71,983
2003	15,000	12,925	27,925
2004	15,000	12,100	27,100
2005	20,000	11,275	31,275
2006	20,000	10,175	30,175
2007 - 2011	110,000	34,100	144,100
2012 - 2013	<u>55,000</u>	<u>4,675</u>	<u>59,675</u>
Total	<u>\$289,567</u>	<u>\$102,666</u>	<u>\$392,233</u>

B. During the year ended June 30, 2001, 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, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated absences	\$ 547,751	\$131,707	\$(102,563)	\$ 576,895
Pension obligation payable	56,800	53,623	(56,800)	53,623
General obligation bond payable	100,000	---	(20,000)	80,000
Energy conservation notes	<u>339,806</u>	<u>---</u>	<u>(50,239)</u>	<u>289,567</u>
Total	<u>\$1,044,357</u>	<u>\$185,330</u>	<u>\$(229,602)</u>	<u>\$1,000,085</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$11,884,486 and an unvoted debt margin of \$132,939.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 10 - CONTRIBUTED CAPITAL

The following is a reconciliation of the contributed capital for the Food Service enterprise fund:

Contributed capital at July 1, 2000	\$ 0
Current contributions from other funds	<u>10,475</u>
Contributed capital at June 30, 2001	<u>\$10,475</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 \$16,780,600 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

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

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

B. Mahoning County Employee Insurance Consortium

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

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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 11 - RISK MANAGEMENT - (Continued)

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

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

C. 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.

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, 2001**

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, 2001.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating revenue	\$ 122,216	\$ 11,126	\$ 133,342
Operating expenses before depreciation	232,122	29,097	261,219
Depreciation	838	---	838
Operating loss	(110,744)	(17,971)	(128,715)
Operating grants	82,355	---	82,355
Operating transfers in	5,700	20,000	25,700
Net income (loss)	(9,394)	2,029	(7,365)
Net working capital	(11,252)	2,514	(8,738)
Total assets	31,706	2,514	34,220
Total liabilities	35,617	---	35,617
Contributed capital	10,475	---	10,475
Total equity (deficit)	(3,911)	2,514	(1,397)
Encumbrances outstanding at June 30	---	1,855	1,855

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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 defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 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, 2001, 2000, and 1999 were \$123,004, \$119,452, and \$126,884, respectively; 46.03 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$66,384, representing the unpaid contribution for fiscal year 2001, 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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 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, 2001, 2000, and 1999 were \$438,128, \$451,717, and \$573,665, respectively; 81.84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$79,556, representing the unpaid contribution for fiscal year 2001, 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, 2001, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Reserve Fund. For the District, this amount equaled \$140,827 during fiscal 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 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 \$102,120 during the 2001 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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, 2001

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	\$ 394,932	\$ 3,256	\$ 0	\$(139,704)
Net adjustment for revenue accruals	359,329	38	(336,000)	---
Net adjustment for expenditure accruals	(133,653)	(10,334)	336,000	39,783
Net adjustment for other financing sources (uses)	(14,849)	(2,469)	---	---
Encumbrances (budget basis)	<u>10,396</u>	<u>26,580</u>	<u>---</u>	<u>9,799</u>
GAAP basis	<u>\$ 616,155</u>	<u>\$ 17,071</u>	<u>\$ 0</u>	<u>\$ (90,122)</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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, 2001.

B. Litigation

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

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 16 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding 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, 2001, 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, 2000	\$ (2,132)	\$ 0	\$ 35,463
Current year set-aside requirement	168,756	168,756	---
Elimination of budget stabilization reserve	---	---	(35,463)
Qualifying disbursements	<u>(168,756)</u>	<u>(168,756)</u>	<u>---</u>
Total	<u>\$ (2,132)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ (2,132)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 17 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. Monies previously reported in this statutorily required reserve, along with any Bureau of Worker's Compensation (BWC) refunds received prior to April 10, 2001, are now reported as a restricted asset and reserved fund balance in the general fund since their use is restricted by state statute. During fiscal 2001, the District added \$260,000 to the budget stabilization reserve that it created in accordance with ORC Section 5705.13. These funds are shown as designated fund balance in the general fund. The District is still required by State law to maintain the textbook reserve and the capital acquisition reserve.

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

A schedule of the restricted assets at June 30, 2001 follows:

Amount restrict for BWC refunds	<u>\$36,352</u>
Total restricted assets	<u>\$36,352</u>

NOTE 18 - FISCAL EMERGENCY

In accordance with Ohio Rev. Code Chapter 3316 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 18 - FISCAL EMERGENCY - (Continued)

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. The District has accomplished these aforementioned steps and has settled contract negotiations in fiscal year 2001.

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENTS

On July 27, 2001, the District was removed from fiscal emergency.

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$11,271		\$9,868
National School Lunch Program		10.555	59,469		59,469	
National School Breakfast Program		10.553	16,765		16,765	
Total U.S. Department of Agriculture - Nutrition Cluster			76,234	11,271	76,234	9,868
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-01	84.027	57,018		57,018	
Total Special Education Cluster			57,018		57,018	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00 C1-S1-01	84.010 84.010	15,935 121,035		17,231 115,515	
Total Grants to Local Educational Agencies			136,970		132,746	
Eisenhower Grant (Title II)	MS-S1-01	84.281	4,677		4,677	
Title VI-R	CR-S1-00 CR-S1-01	84.340 84.340	16,408 7,531		23,440 622	
Total Title VI-R			23,939		24,062	
Innovative Educational Program Strategies	C2-S1-01	84.298	4,984		4,984	
Drug-Free Schools Grant	DR-S1-99 DR-S1-01	84.186 84.186	4,176		165 3,896	
Total Drug-Free Schools Grant			4,176		4,061	
Total Department of Education			231,764		227,548	
Totals			\$307,998	\$11,271	\$303,782	\$9,868

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

**JACKSON MILTON LOCAL SCHOOL DISTRICT
MAHONING COUNTY
JUNE 30, 2001**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

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

Board of Education
Jackson Milton Local School District
Mahoning County
14110 Mahoning Ave.
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, 2001, and have issued our report thereon dated December 20, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 an immaterial instance of noncompliance that we have reported to management of Jackson Milton Local School District in a separate letter dated December 20, 2001.

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 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 Jackson Milton Local School District in a separate letter dated December 20, 2001.

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

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

Jim Petro
Auditor of State

December 20, 2001



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

Board of Education
Jackson Milton Local School District
Mahoning County
14110 Mahoning Ave.
North Jackson, Ohio 44451

To the Board of Education,

Compliance

We have audited the compliance of Jackson Milton Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. Jackson Milton Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jackson Milton Local School District's management. Our responsibility is to express an opinion on Jackson Milton Local School District's compliance based on our audit.

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

In our opinion, Jackson Milton Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of Jackson Milton Local School District in a separate letter dated December 20, 2001.

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

Jim Petro
Auditor of State

December 20, 2001

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

**JACKSON MILTON LOCAL DISTRICT
MAHONING COUNTY
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

Finding Number	
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None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OFFICE OF THE AUDITOR

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JACKSON-MILTON LOCAL SCHOOL DISTRICT

MAHONING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 15, 2002**