



**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY

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STATE OF OHIO  
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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, 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 Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, the District changed its fixed asset capitalization threshold, for the year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2002, 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end.

**Jim Petro**  
Auditor of State

December 9, 2002

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**JACKSON LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 10,366,471	\$ 458,449	\$ 1,985,696	\$ 9,154,462
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .	-	-	-	-
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent . . . . .	29,860,482	-	3,814,792	988,387
Accounts . . . . .	4,831	-	-	-
Accrued interest . . . . .	45,788	-	-	13,063
Interfund loan receivable . . . . .	6,750	-	-	-
Due from other governments . . . . .	58,434	29,026	-	-
Materials and supplies inventory . . . . .	212,510	-	-	-
Prepayments . . . . .	3,459	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	171,891	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable). . . . .	-	-	-	-
<b>OTHER DEBITS:</b>				
Amount available in debt service fund . . . . .	-	-	-	-
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-	-
<b>Total assets and other debits . . . . .</b>	<b>\$ 40,730,616</b>	<b>\$ 487,475</b>	<b>\$ 5,800,488</b>	<b>\$ 10,155,912</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>LIABILITIES:</b>				
Accounts payable . . . . .	\$ 124,064	\$ 30,595	\$ -	\$ -
Contracts payable . . . . .	-	-	-	400,578
Accrued wages and benefits . . . . .	3,166,278	51,824	-	-
Compensated absences payable . . . . .	38,124	-	-	-
Pension obligation payable . . . . .	527,178	4,000	-	-
Interfund loan payable . . . . .	-	3,000	-	-
Deferred revenue . . . . .	29,287,550	16,747	3,728,892	979,430
Due to other governments . . . . .	113,575	1,824	-	-
Due to students . . . . .	-	-	-	-
General obligation bonds payable . . . . .	-	-	-	-
Obligation under capital lease . . . . .	-	-	-	-
<b>Total liabilities . . . . .</b>	<b>33,256,769</b>	<b>107,990</b>	<b>3,728,892</b>	<b>1,380,008</b>
<b>EQUITY AND OTHER CREDITS:</b>				
Investment in general fixed assets . . . . .	-	-	-	-
Contributed capital . . . . .	-	-	-	-
Retained earnings (accumulated deficit): unreserved. . . . .	-	-	-	-
Fund balances:				
Reserved for encumbrances . . . . .	2,647,490	109,643	-	7,313,294
Reserved for materials and supplies inventory . . . . .	212,510	-	-	-
Reserved for prepayments . . . . .	3,459	-	-	-
Reserved for debt service . . . . .	-	-	1,985,696	-
Reserved for tax revenue unavailable for appropriation. . . . .	618,880	-	85,900	22,020
Reserved for principal endowment . . . . .	-	-	-	-
Reserved for BWC refunds . . . . .	171,891	-	-	-
Unreserved-undesignated . . . . .	3,819,617	269,842	-	1,440,590
<b>Total equity and other credits . . . . .</b>	<b>7,473,847</b>	<b>379,485</b>	<b>2,071,596</b>	<b>8,775,904</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$ 40,730,616</b>	<b>\$ 487,475</b>	<b>\$ 5,800,488</b>	<b>\$ 10,155,912</b>

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



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 106,465	\$ 115,829	\$ -	\$ -	\$ 22,187,372
-	3,253	-	-	3,253
-	-	-	-	34,663,661
52	-	-	-	4,883
-	-	-	-	58,851
-	-	-	-	6,750
-	-	-	-	87,460
28,173	-	-	-	240,683
-	-	-	-	3,459
-	-	-	-	171,891
96,841	-	54,334,308	-	54,431,149
-	-	-	2,071,596	2,071,596
-	-	-	39,917,256	39,917,256
<u>\$ 231,531</u>	<u>\$ 119,082</u>	<u>\$ 54,334,308</u>	<u>\$ 41,988,852</u>	<u>\$ 153,848,264</u>
\$ 388	\$ -	\$ -	\$ -	\$ 155,047
-	-	-	-	400,578
92,498	-	-	-	3,310,600
55,102	-	-	3,303,452	3,396,678
48,067	-	-	278,997	858,242
3,500	250	-	-	6,750
13,498	-	-	-	34,026,117
2,455	-	-	-	117,854
-	63,284	-	-	63,284
-	-	-	38,069,286	38,069,286
-	-	-	337,117	337,117
<u>215,508</u>	<u>63,534</u>	<u>-</u>	<u>41,988,852</u>	<u>80,741,553</u>
-	-	54,334,308	-	54,334,308
67,720	-	-	-	67,720
(51,697)	-	-	-	(51,697)
-	-	-	-	10,070,427
-	-	-	-	212,510
-	-	-	-	3,459
-	-	-	-	1,985,696
-	-	-	-	726,800
-	3,253	-	-	3,253
-	-	-	-	171,891
-	52,295	-	-	5,582,344
<u>16,023</u>	<u>55,548</u>	<u>54,334,308</u>	<u>-</u>	<u>73,106,711</u>
<u>\$ 231,531</u>	<u>\$ 119,082</u>	<u>\$ 54,334,308</u>	<u>\$ 41,988,852</u>	<u>\$ 153,848,264</u>

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**JACKSON LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 28,197,549	\$ -	\$ 3,767,787	\$ 830,505	\$ -	\$ 32,795,841
Tuition . . . . .	113,417	-	-	-	-	113,417
Earnings on investments . . . . .	359,865	-	-	635,381	1,282	996,528
Extracurricular . . . . .	-	622,963	-	-	-	622,963
Contributions and donations . . . . .	32,883	102,565	-	-	8,763	144,211
Other local revenues . . . . .	163,350	85,979	-	-	910	250,239
Other revenue . . . . .	-	3,178	-	-	-	3,178
Intergovernmental - State . . . . .	8,277,844	198,044	434,415	96,773	-	9,007,076
Intergovernmental - Federal . . . . .	12,848	629,446	-	-	-	642,294
Total revenue . . . . .	<u>37,157,756</u>	<u>1,642,175</u>	<u>4,202,202</u>	<u>1,562,659</u>	<u>10,955</u>	<u>44,575,747</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	15,654,461	361,133	-	41,744	-	16,057,338
Special . . . . .	1,632,292	318,691	-	-	-	1,950,983
Vocational . . . . .	1,044,900	4,381	-	-	-	1,049,281
Other . . . . .	571,904	28,626	-	-	-	600,530
Support services:						
Pupil . . . . .	2,408,027	164,071	-	-	11,962	2,584,060
Instructional staff . . . . .	1,173,210	197,342	-	-	-	1,370,552
Board of Education . . . . .	30,698	-	-	-	-	30,698
Administration . . . . .	2,908,011	144,407	-	-	-	3,052,418
Fiscal . . . . .	873,840	3,489	42,223	30,328	-	949,880
Business . . . . .	171,124	-	-	-	-	171,124
Operations and maintenance . . . . .	3,791,402	171	-	543,963	-	4,335,536
Pupil transportation . . . . .	2,199,017	-	-	-	-	2,199,017
Central . . . . .	1,178,299	37,366	-	-	-	1,215,665
Extracurricular activities . . . . .	878,557	463,551	-	-	-	1,342,108
Facilities acquisition and construction . . . . .	56,239	-	-	15,326,224	-	15,382,463
Intergovernmental pass-through . . . . .	43,870	1,808	-	-	-	45,678
Capital outlay . . . . .	165,039	-	-	-	-	165,039
Debt service:						
Principal retirement . . . . .	555,746	-	1,195,000	-	-	1,750,746
Interest and fiscal charges . . . . .	29,870	-	1,936,490	-	-	1,966,360
Total expenditures . . . . .	<u>35,366,506</u>	<u>1,725,036</u>	<u>3,173,713</u>	<u>15,942,259</u>	<u>11,962</u>	<u>56,219,476</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,791,250</u>	<u>(82,861)</u>	<u>1,028,489</u>	<u>(14,379,600)</u>	<u>(1,007)</u>	<u>(11,643,729)</u>
Other financing sources (uses):						
Operating transfers out . . . . .	(110,000)	-	-	-	-	(110,000)
Proceeds from capital lease transaction . . . . .	165,039	-	-	-	-	165,039
Proceeds from sale of fixed assets . . . . .	216,955	-	-	-	-	216,955
Total other financing sources . . . . .	<u>271,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,994</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>2,063,244</u>	<u>(82,861)</u>	<u>1,028,489</u>	<u>(14,379,600)</u>	<u>(1,007)</u>	<u>(11,371,735)</u>
Fund balances, July 1 . . . . .	5,396,789	462,346	1,043,107	23,155,504	53,302	30,111,048
Increase in reserve for inventory . . . . .	13,814	-	-	-	-	13,814
Fund balances, June 30 . . . . .	<u>\$ 7,473,847</u>	<u>\$ 379,485</u>	<u>\$ 2,071,596</u>	<u>\$ 8,775,904</u>	<u>\$ 52,295</u>	<u>\$ 18,753,127</u>

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

**JACKSON LOCAL SCHOOL DISTRICT**  
**STARK 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 FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$ 28,106,009	\$ 28,106,009	\$ -	\$ -	\$ -	\$ -
Tuition . . . . .	89,600	89,533	(67)	-	-	-
Earnings on investments . . . . .	360,000	359,865	(135)	-	-	-
Extracurricular . . . . .	-	-	-	639,521	639,710	189
Contributions and donations . . . . .	33,000	32,883	(117)	90,250	90,263	13
Other local revenues . . . . .	158,491	167,352	8,861	99,704	98,280	(1,424)
Other revenue . . . . .	-	-	-	3,178	3,178	-
Intergovernmental - State . . . . .	8,208,217	8,243,294	35,077	215,397	216,814	1,417
Intergovernmental - Federal . . . . .	12,850	12,848	(2)	616,738	616,738	-
Total revenues . . . . .	<u>36,968,167</u>	<u>37,011,784</u>	<u>43,617</u>	<u>1,664,788</u>	<u>1,664,983</u>	<u>195</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular . . . . .	16,787,466	16,067,214	720,252	467,988	415,745	52,243
Special . . . . .	1,680,594	1,634,242	46,352	342,176	317,751	24,425
Vocational . . . . .	1,144,139	1,067,123	77,016	4,376	4,376	-
Adult . . . . .	-	-	-	44,509	27,715	16,794
Other . . . . .	929,693	892,745	36,948	-	-	-
Support services:						
Pupil . . . . .	3,180,086	2,444,970	735,116	196,561	179,111	17,450
Instructional staff . . . . .	1,312,417	1,290,408	22,009	239,528	219,697	19,831
Board of Education . . . . .	28,215	27,542	673	-	-	-
Administration . . . . .	3,012,275	2,966,201	46,074	191,972	180,086	11,886
Fiscal . . . . .	882,411	878,285	4,126	3,482	3,482	-
Business . . . . .	473,811	454,062	19,749	-	-	-
Operations and maintenance . . . . .	5,113,914	4,967,134	146,780	2,850	171	2,679
Pupil transportation . . . . .	2,586,076	2,351,624	234,452	-	-	-
Central . . . . .	2,493,557	2,026,298	467,259	63,330	56,859	6,471
Community services . . . . .	-	-	-	584	-	584
Extracurricular activities . . . . .	912,276	884,306	27,970	610,460	485,698	124,762
Facilities acquisition and construction . . . . .	97,433	93,639	3,794	2,000	-	2,000
Intergovernmental pass-through . . . . .	393,870	43,870	350,000	1,808	1,808	-
Debt service:						
Principal retirement . . . . .	-	-	-	-	-	-
Interest and fiscal charges . . . . .	-	-	-	-	-	-
Total expenditures . . . . .	<u>41,028,233</u>	<u>38,089,663</u>	<u>2,938,570</u>	<u>2,171,624</u>	<u>1,892,499</u>	<u>279,125</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(4,060,066)</u>	<u>(1,077,879)</u>	<u>2,982,187</u>	<u>(506,836)</u>	<u>(227,516)</u>	<u>279,320</u>
<b>Other financing sources (uses):</b>						
Advances in . . . . .	50,000	-	(50,000)	3,000	3,000	-
Advances out . . . . .	(46,555)	(6,750)	39,805	-	-	-
Operating transfers in . . . . .	-	-	-	10,870	10,870	-
Operating transfers out . . . . .	(120,455)	(110,000)	10,455	(10,870)	(10,870)	-
Proceeds from sale of fixed assets . . . . .	216,978	216,955	(23)	-	-	-
Refund of prior year's receipts . . . . .	(28,875)	(28,587)	288	(1,725)	(675)	1,050
Refund of prior year's expenditures . . . . .	4,081	4,875	794	50	50	-
Total other financing sources (uses) . . . . .	<u>75,174</u>	<u>76,493</u>	<u>1,319</u>	<u>1,325</u>	<u>2,375</u>	<u>1,050</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) . . . . .	<u>(3,984,892)</u>	<u>(1,001,386)</u>	<u>2,983,506</u>	<u>(505,511)</u>	<u>(225,141)</u>	<u>280,370</u>
Fund balances, July 1 . . . . .	7,353,364	7,353,364	-	349,336	349,336	-
Prior year encumbrances appropriated . . . . .	1,412,618	1,412,618	-	194,335	194,335	-
Fund balances, June 30 . . . . .	<u>\$ 4,781,090</u>	<u>\$ 7,764,596</u>	<u>\$ 2,983,506</u>	<u>\$ 38,160</u>	<u>\$ 318,530</u>	<u>\$ 280,370</u>

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

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 3,756,000	\$ 3,746,757	\$ (9,243)	\$ 824,000	\$ 824,185	\$ 185	\$ 32,686,009	\$ 32,676,951	\$ (9,058)
-	-	-	-	-	-	89,600	89,533	(67)
-	-	-	635,000	635,381	381	995,000	995,246	246
-	-	-	-	-	-	639,521	639,710	189
-	-	-	-	-	-	123,250	123,146	(104)
-	-	-	-	-	-	258,195	265,632	7,437
-	-	-	-	-	-	3,178	3,178	-
434,000	434,415	415	97,000	96,773	(227)	8,954,614	8,991,296	36,682
-	-	-	-	-	-	629,588	629,586	(2)
<u>4,190,000</u>	<u>4,181,172</u>	<u>(8,828)</u>	<u>1,556,000</u>	<u>1,556,339</u>	<u>339</u>	<u>44,378,955</u>	<u>44,414,278</u>	<u>35,323</u>
-	-	-	35,738	35,738	-	17,291,192	16,518,697	772,495
-	-	-	-	-	-	2,022,770	1,951,993	70,777
-	-	-	-	-	-	1,148,515	1,071,499	77,016
-	-	-	-	-	-	44,509	27,715	16,794
-	-	-	-	-	-	929,693	892,745	36,948
-	-	-	-	-	-	3,376,647	2,624,081	752,566
-	-	-	-	-	-	1,551,945	1,510,105	41,840
-	-	-	-	-	-	28,215	27,542	673
-	-	-	-	-	-	3,204,247	3,146,287	57,960
57,000	42,223	14,777	30,400	30,328	72	973,293	954,318	18,975
-	-	-	-	-	-	473,811	454,062	19,749
-	-	-	-	-	-	5,116,764	4,967,305	149,459
-	-	-	545,732	543,964	1,768	3,131,808	2,895,588	236,220
-	-	-	-	-	-	2,556,887	2,083,157	473,730
-	-	-	-	-	-	584	-	584
-	-	-	-	-	-	1,522,736	1,370,004	152,732
-	-	-	23,710,271	23,296,109	414,162	23,809,704	23,389,748	419,956
-	-	-	-	-	-	395,678	45,678	350,000
1,195,000	1,195,000	-	-	-	-	1,195,000	1,195,000	-
1,936,491	1,936,490	1	-	-	-	1,936,491	1,936,490	1
<u>3,188,491</u>	<u>3,173,713</u>	<u>14,778</u>	<u>24,322,141</u>	<u>23,906,139</u>	<u>416,002</u>	<u>70,710,489</u>	<u>67,062,014</u>	<u>3,648,475</u>
<u>1,001,509</u>	<u>1,007,459</u>	<u>5,950</u>	<u>(22,766,141)</u>	<u>(22,349,800)</u>	<u>416,341</u>	<u>(26,331,534)</u>	<u>(22,647,736)</u>	<u>3,683,798</u>
-	-	-	-	-	-	53,000	3,000	(50,000)
-	-	-	-	-	-	(46,555)	(6,750)	39,805
-	-	-	-	-	-	10,870	10,870	-
-	-	-	-	-	-	(131,325)	(120,870)	10,455
-	-	-	(6,005)	(6,005)	-	210,973	210,950	(23)
-	-	-	-	-	-	(30,600)	(29,262)	1,338
-	-	-	-	-	-	4,131	4,925	794
-	-	-	<u>(6,005)</u>	<u>(6,005)</u>	-	<u>70,494</u>	<u>72,863</u>	<u>2,369</u>
1,001,509	1,007,459	5,950	(22,772,146)	(22,355,805)	416,341	(26,261,040)	(22,574,873)	3,686,167
978,237	978,237	-	8,730,225	8,730,225	-	17,411,162	17,411,162	-
-	-	-	15,066,170	15,066,170	-	16,673,123	16,673,123	-
<u>\$ 1,979,746</u>	<u>\$ 1,985,696</u>	<u>\$ 5,950</u>	<u>\$ 1,024,249</u>	<u>\$ 1,440,590</u>	<u>\$ 416,341</u>	<u>\$ 7,823,245</u>	<u>\$ 11,509,412</u>	<u>\$ 3,686,167</u>

**JACKSON LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT)/FUND BALANCE  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Tuition and fees . . . . .	\$ 98,830	\$ -	\$ 98,830
Sales/charges for services . . . . .	1,173,931	-	1,173,931
Investment earnings . . . . .	<u>-</u>	<u>83</u>	<u>83</u>
 Total operating revenues . . . . .	 <u>1,272,761</u>	 <u>83</u>	 <u>1,272,844</u>
Operating expenses:			
Personal services . . . . .	909,465	-	909,465
Contract services . . . . .	55,491	-	55,491
Materials and supplies . . . . .	748,858	-	748,858
Depreciation . . . . .	6,781	-	6,781
Other . . . . .	<u>6,747</u>	<u>250</u>	<u>6,997</u>
 Total operating expenses . . . . .	 <u>1,727,342</u>	 <u>250</u>	 <u>1,727,592</u>
 Operating loss . . . . .	 <u>(454,581)</u>	 <u>(167)</u>	 <u>(454,748)</u>
Nonoperating revenues (expenses):			
Operating grants . . . . .	183,658	-	183,658
Federal commodities . . . . .	57,479	-	57,479
Interest revenue. . . . .	2,140	-	2,140
Loss on disposal of assets . . . . .	<u>(1,297)</u>	<u>-</u>	<u>(1,297)</u>
 Total nonoperating revenues (expenses) . . . . .	 <u>241,980</u>	 <u>-</u>	 <u>241,980</u>
 Net loss before capital contributions and operating transfers. . . . .	 <u>(212,601)</u>	 <u>(167)</u>	 <u>(212,768)</u>
 Capital contributions. . . . .	 14,896	 -	 14,896
Operating transfers in . . . . .	<u>110,000</u>	<u>-</u>	<u>110,000</u>
 Net loss . . . . .	 <u>(87,705)</u>	 <u>(167)</u>	 <u>(87,872)</u>
Retained earnings/fund balance, July 1 (restated - Note 3) . . . . .	 <u>36,008</u>	 <u>3,420</u>	 <u>39,428</u>
Retained earnings (accumulated deficit)/ fund balance, June 30 . . . . .	 <u>\$ (51,697)</u>	 <u>\$ 3,253</u>	 <u>\$ (48,444)</u>

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

**JACKSON LOCAL SCHOOL DISTRICT**  
**STARK COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Cash flows from operating activities:			
Cash received from tuition and fees . . . . .	\$ 98,830	\$ -	\$ 98,830
Cash received from sales/service charges . . . . .	1,173,900	-	1,173,900
Cash payments for personal services . . . . .	(876,596)	-	(876,596)
Cash payments for contract services . . . . .	(55,491)	-	(55,491)
Cash payments for materials and supplies . . . . .	(690,215)	-	(690,215)
Cash payments for other expenses . . . . .	(6,747)	(250)	(6,997)
	(356,319)	(250)	(356,569)
Net cash used in operating activities . . . . .			
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	220,929	-	220,929
Cash received from operating transfers in . . . . .	110,000	-	110,000
Cash received from interfund loans . . . . .	3,500	-	3,500
	334,429	-	334,429
Net cash provided by noncapital financing activities . . . . .			
Cash flows from investing activities:			
Interest received . . . . .	2,140	83	2,223
	2,140	83	2,223
Net cash provided by investing activities . . . . .			
Net decrease in cash and cash equivalents . . . . .	(19,750)	(167)	(19,917)
Cash and cash equivalents at beginning of year . . . . .	126,215	3,420	129,635
Cash and cash equivalents at end of year . . . . .	\$ 106,465	\$ 3,253	\$ 109,718
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss . . . . .	\$ (454,581)	\$ (167)	\$ (454,748)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation . . . . .	6,781	-	6,781
Federal donated commodities . . . . .	57,479	-	57,479
Interest reported as operating income . . . . .	-	(83)	(83)
Changes in assets and liabilities:			
Decrease in materials and supplies inventory . . . . .	1,851	-	1,851
Increase in accounts receivable . . . . .	(31)	-	(31)
Increase in accounts payable . . . . .	262	-	262
Increase in accrued wages and benefits . . . . .	17,541	-	17,541
Decrease in compensated absences payable . . . . .	(376)	-	(376)
Increase in pension obligation payable . . . . .	13,249	-	13,249
Increase in due to other governments . . . . .	2,455	-	2,455
Decrease in deferred revenue . . . . .	(949)	-	(949)
	(356,319)	(250)	(356,569)
Net cash used in operating activities . . . . .			

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

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**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Jackson Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 65<sup>th</sup> largest by total revenue among the 705 public and community school districts in the state, and 3<sup>rd</sup> largest in Stark County. The District employs 231 non-certified and 313 certified employees to provide services to 5,355 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the GPFS of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units. The following organizations are described due to their relationship to the District:

*JOINTLY GOVERNED ORGANIZATION*

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC, a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of 31 member districts; however, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

*PUBLIC ENTITY RISK POOL*

Stark County Schools Council of Governments (the "Council")

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*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 and construction of major capital facilities (other than those financed by proprietary funds).

*PROPRIETARY FUND*

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

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*FIDUCIARY FUNDS*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. The nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items, which would be subject to accrual for other fund types. At June 30, 2002, there were no material accruals for the agency funds which, in another fund type, 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.

**C. Measurement Focus/Basis of Accounting**

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

All proprietary and nonexpendable trust 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 and expendable trust funds. 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 60 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, grant, entitlements, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred 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. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 and nonexpendable 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 statement 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.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable 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 express 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 Stark County Budget Commission for tax rate determination.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

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.



**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 during fiscal 2002. The amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at fiscal 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.

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 fiscal 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. For enterprise funds, encumbrances outstanding at fiscal year-end appear as a footnote disclosure in Note 13. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental 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 year 2002, investments were limited to a repurchase agreement, investments in the State Asset Treasury Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. The investments in STAR Ohio are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund, except for those specifically related to the Building capital projects fund, the Food Service enterprise fund or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$359,865 which includes \$19,888 assigned from other District funds.

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

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

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in governmental funds consists of expendable supplies held for consumption.

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. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**G. 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 \$10,000. The District changed its capitalization criteria during fiscal 2002 (see Note 3.A.). Books, records, movies and other learning aids kept at the District's library are not included for reporting purposes.

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. Interest on debt issued to construct general fixed assets is not capitalized in the general fixed asset account group.

2. Proprietary Fund

Equipment reflected in the proprietary fund is stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Contributed 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 an estimated useful life of 5 to 10 years.

**H. Compensated Absences**

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**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 sick pay is accrued using the termination 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.

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.

**I. Long-Term Obligations**

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**J. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax advance unavailable for appropriation, principal endowment, and Bureau of Workers' Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under state statute.

**K. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
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 or payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 5.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

**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 financial statements and accompanying notes. Actual results may differ from those estimates.

**N. Prepaids**

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

**O. Contributions of Capital**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in 2002. The enterprise funds had contributions of capital of \$14,896 during fiscal 2002. Contributed capital in the enterprise funds at June 30, 2002, is \$67,720.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**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**

**A. Change in Capitalization Threshold**

During fiscal year 2002, the capitalization criteria was increased from \$500 to \$10,000. Due to the change in the capitalization criteria, adjustments are required to restate the general fixed asset account group (see Note 8) and the retained earnings in the Food Service enterprise fund. There will be no effect on net income at June 30, 2002, as a result of these adjustments. The adjustments had the following effect on retained earnings as previously reported as of June 30, 2001:

	<u>Enterprise</u>
Retained earnings as previously reported	\$ 144,186
Restatement change in capitalization criteria	<u>(108,178)</u>
Restated retained earnings as of July 1, 2001	<u>\$ 36,008</u>

**B. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 2002, included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Vocational Career Development	\$ 55
Title VI-B	4,367
Drug-Free Grant	41
Continuous Improvement Grant	9,110
<u>Enterprise Funds</u>	
Food Service	59,463
Adult Education	17,673
Communications	1,539

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

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

The deficit balances in the special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and benefits attributable to the fiscal year. These deficits will be eliminated as revenues become available to cover these costs as they are incurred.

The deficit retained earnings in the enterprise funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits 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.



**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 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 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on hand:* At fiscal year-end, the District had \$2,220 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

*Deposits:* At year-end, the carrying amount of the District's deposits, including nonnegotiable certificates of deposit and a money market account was \$7,274,638 and the bank balance, including nonnegotiable certificates of deposit and a money market account was \$9,316,775. Of the bank balance:

1. \$411,799 was covered by federal depository insurance; and
2. \$8,904,976 was uninsured and uncollateralized as defined by GASB although because it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

*Investments:* Investments are categorized to give an indication of the level of custodial credit 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 STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase agreement	<u>\$1,320,000</u>	\$ 1,320,000	\$ 1,320,000
Total	<u>\$1,320,000</u>		
Investment in STAR Ohio		<u>13,765,658</u>	<u>13,765,658</u>
Total investments		<u>\$15,085,658</u>	<u>\$15,085,658</u>

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

A reconciliation between the classifications of equity in pooled 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	\$ 22,362,516	\$ -
Investments of the cash management pool:		
Repurchase agreement	(1,320,000)	1,320,000
Investment in STAR Ohio	(13,765,658)	13,765,658
Cash on hand	<u>(2,220)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 7,274,638</u>	<u>\$15,085,658</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$6,750	\$ -
<u>Special Revenue Fund</u>		
Public School Support	-	3,000
<u>Enterprise Funds</u>		
Adult Education	-	2,500
Communications	-	1,000
<u>Agency Fund</u>		
Student Managed Activities	-	250
Total	<u>\$6,750</u>	<u>\$6,750</u>

- B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$110,000
<u>Enterprise Funds</u>		
Adult Education	75,000	-
Communications	<u>35,000</u>	<u>-</u>
Total	<u>\$110,000</u>	<u>\$110,000</u>

**NOTE 6 - PROPERTY TAXES**

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at varying rates of true value.

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 2001 taxes were collected was \$876,736,288. Agricultural/residential and public utility/minerals real estate represented 56.17% or \$492,435,780 of this total; Commercial & industrial real estate represented 27.24% or \$238,792,880 of this total, public utility tangible represented 5.45% or \$47,754,550 of this total and general tangible property represented 11.14% or \$97,753,078 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$42.55 per \$1,000 of assessed valuation for operations, \$0.75 per \$1,000 of assessed valuation for permanent improvements and \$2.20 per \$1,000 of assessed valuation for debt service.

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 Stark County Treasurer collects property taxes on behalf of the District. The Stark County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. 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. The amount of tax advance available at year-end was \$726,800 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002, consisted of taxes, accounts, accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements were met by fiscal year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$29,860,482
Accounts	4,831
Accrued interest	45,788
Interfund loan	6,750
Due from other governments	58,434
<u>Special Revenue Funds</u>	
Due from other governments	29,026
<u>Debt Service Fund</u>	
Taxes - current and delinquent	3,814,792
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	988,387
Accrued interest	13,063

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 8 - FIXED ASSETS**

**A. General Fixed Assets**

The general fixed assets account group has been restated as of July 1, 2001 due to an increase in the District's capitalization threshold from \$500 to \$10,000. These adjustments had the following effect on the balances previously reported in the general fixed asset account group:

<u>Asset Category</u>	<u>Balance June 30, 2001</u>	<u>Adjustments</u>	<u>Restated Balance July 1, 2001</u>
Land/improvements	\$ 2,019,575	\$ (79,125)	\$ 1,940,450
Buildings/improvements	29,409,086	(1,633,155)	27,775,931
Furniture, fixtures and equipment	9,702,454	(6,649,272)	3,053,182
Vehicles	3,520,647	(20,013)	3,500,634
Construction in progress	<u>2,199,584</u>	<u>96,988</u>	<u>2,296,572</u>
Total	<u>\$46,851,346</u>	<u>\$(8,284,577)</u>	<u>\$38,566,769</u>

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

	<u>Restated Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Land/improvements	\$ 1,940,450	\$ 104,109	\$ -	\$ 2,044,559
Buildings/improvements	27,775,931	3,062,041	-	30,837,972
Furniture, fixtures and equipment	3,053,182	362,778	(88,041)	3,327,919
Vehicles	3,500,634	870,259	(280,936)	4,089,957
Construction in progress	<u>2,296,572</u>	<u>13,278,356</u>	<u>(1,541,027)</u>	<u>14,033,901</u>
Total	<u>\$38,566,769</u>	<u>\$17,677,543</u>	<u>\$(1,910,004)</u>	<u>\$54,334,308</u>

The construction in progress represents costs incurred but remain unpaid at June 30, 2002, on the various school improvement projects being undertaken by the District.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 8 - FIXED ASSETS - (Continued)**

**B. Proprietary Fixed Assets**

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture, fixtures and equipment	\$196,771
Less: accumulated depreciation	<u>(99,930)</u>
Net fixed assets	<u>\$ 96,841</u>

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior fiscal year, the District entered into capital leases for a copier and computer equipment. In the current year, the District entered into capital leases for copier equipment. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reflected as debt service in the Combined Financial Statements for the Governmental Funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligation account group. The District made principal and interest payments in fiscal year 2002 of \$555,746 and \$29,870, respectively.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2002:

<u>Year Ending</u>	<u>General Long-Term Obligations</u>
2003	\$187,063
2004	80,585
2005	63,679
2006	40,008
2007	<u>4,688</u>
Total minimum lease payments	376,023
Less: amount representing interest	<u>(38,906)</u>
Present value of minimum lease payments	<u>\$337,117</u>



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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. On August 3, 2000, the District issued general obligation bonds to provide funds for the construction and improvements to various school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$24,195,000, and capital appreciation bonds, par value \$1,840,000. The interest rates on the current interest bonds range from 4.45% to 5.625%. The capital appreciation bonds mature on December 1, 2007 (effective interest 10.86%) and December 1, 2008 (effective interest 10.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was \$804,509. A total of \$171,689 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2002.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2025.

The following is a schedule of activity for fiscal 2002 on the 2000 series general obligation bonds:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2002</u>
Current interest bonds	\$24,195,000	\$ -	\$(5,000)	\$24,190,000
Capital appreciation bonds	<u>878,252</u>	<u>97,946</u>	<u>-</u>	<u>976,198</u>
Total G.O. bonds	<u>\$25,073,252</u>	<u>\$97,946</u>	<u>\$(5,000)</u>	<u>\$25,166,198</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2000 series general obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2003	\$ 460,000	\$ 1,282,743	\$ 1,742,743	\$ -	\$ -	\$ -
2004	510,000	1,260,548	1,770,548	-	-	-
2005	560,000	1,235,798	1,795,798	-	-	-
2006	770,000	1,204,683	1,974,683	-	-	-
2007	835,000	1,166,757	2,001,757	-	-	-
2008 - 2012	3,140,000	5,511,361	8,651,361	1,840,000	-	1,840,000
2013 - 2017	5,310,000	4,215,776	9,525,776	-	-	-
2018 - 2022	6,245,000	2,691,803	8,936,803	-	-	-
2023 - 2026	6,360,000	740,253	7,100,253	-	-	-
Total	<u>\$24,190,000</u>	<u>\$19,309,722</u>	<u>\$43,499,722</u>	<u>\$1,840,000</u>	<u>\$ -</u>	<u>\$1,840,000</u>

**B.** On July 27, 1993, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$17,620,000, and capital appreciation bonds, par value \$1,845,000. The interest rates on the current interest bonds range from 2.80% to 5.50%. The capital appreciation bonds mature on December 1, 2005 (effective interest 10.25%) and December 1, 2006 (effective interest 10.10%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2002 was \$529,190. A total of \$748,968 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2002.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2021.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal 2002 on the 1993 series general obligation bonds:

	Balance <u>July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2002</u>
Current interest bonds	\$12,815,000	\$ -	\$(1,190,000)	\$11,625,000
Capital appreciation bonds	<u>1,156,827</u>	<u>121,261</u>	<u>-</u>	<u>1,278,088</u>
Total G.O. bonds	<u>\$13,971,827</u>	<u>\$121,261</u>	<u>\$(1,190,000)</u>	<u>\$12,903,088</u>

The following is a summary of the future debt service requirements to maturity for the 1993 series general obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 1,325,000	\$ 582,181	\$ 1,907,181	\$ -	\$ -	\$ -
2004	1,400,000	515,050	1,915,050	-	-	-
2005	1,460,000	443,185	1,903,185	-	-	-
2006	-	406,320	406,320	1,490,000	-	1,490,000
2007	-	406,320	406,320	355,000	-	355,000
2008 - 2012	1,960,000	1,777,800	3,737,800	-	-	-
2013 - 2017	2,445,000	1,180,883	3,625,883	-	-	-
2018 - 2022	<u>3,035,000</u>	<u>429,413</u>	<u>3,464,413</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,625,000</u>	<u>\$5,741,152</u>	<u>\$17,366,152</u>	<u>\$1,845,000</u>	<u>\$ -</u>	<u>\$1,845,000</u>

- C. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

	Balance <u>July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2002</u>
General obligation bonds	\$39,045,079	\$ 219,207	\$(1,195,000)	\$38,069,286
Capital lease obligation	727,824	165,039	(555,746)	337,117
Compensated absences	3,275,904	924,161	(896,613)	3,303,452
Pension obligation payable	<u>307,167</u>	<u>278,997</u>	<u>(307,167)</u>	<u>278,997</u>
Total	<u>\$43,355,974</u>	<u>\$1,587,404</u>	<u>\$(2,954,526)</u>	<u>\$41,988,852</u>

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$42,908,576 (including available funds of \$2,071,596) and an unvoted debt margin of \$876,736.

**NOTE 11 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 290 days for both classified and certified employees. Upon retirement, classified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 48 days. Upon retirement, classified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide/Wausau		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		5,000,000	0
Building and contents	Indiana Insurance	85,528,890	5,000
Fleet:	Indiana Insurance		
Liability		2,000,000	0
Comprehensive		60,000 per	100
Collision		60,000 per	250
Umbrella liability	Nationwide/Wausau	3,000,000	10,000

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

**B. Shared Risk Pool**

The District has contracted with the Stark County Schools Council of Government's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of 15 Stark County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$543.82 for family coverage and \$223.86 for single coverage per employee per month and the District pays dental premiums of \$70.12 for family coverage and \$28.43 for single coverage per employee per month.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2002, the District participated in the Stark County Schools Council of Government's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). 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 "Group Savings Fund". This "group savings" 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains five enterprise funds - food service, uniform school supplies, customer revolving, adult education, and communications - which are operated on a sales basis. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District for the fiscal year ended June 30, 2002:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Customer Revolving</u>	<u>Adult Education</u>	<u>Communications</u>	<u>Total</u>
Operating revenues	\$ 997,923	\$7,878	\$129,123	\$ 90,952	\$ 46,885	\$1,272,761
Operating expenses						
before depreciation	1,281,658	7,034	125,553	220,976	85,340	1,720,561
Depreciation	6,781	-	-	-	-	6,781
Operating income/(loss)	(290,516)	844	3,570	(130,024)	(38,455)	(454,581)
Operating grants	133,843	-	-	49,815	-	183,658
Donated commodities	57,479	-	-	-	-	57,479
Interest revenue	2,140	-	-	-	-	2,140
Capital contributions	14,896	-	-	-	-	14,896
Fixed asset						
Additions	14,896	-	-	-	-	14,896
Disposals	12,967	-	-	-	-	12,967
Net income/(loss)	(83,455)	844	3,570	(5,209)	(3,455)	(87,705)
Net working capital/(deficit)	(33,482)	3,812	23,166	(17,673)	(1,539)	(25,716)
Total assets	199,473	3,812	23,563	272	4,411	231,531
Total liabilities	191,216	-	397	17,945	5,950	215,508
Total equity/(deficit)	8,257	3,812	23,166	(17,673)	(1,539)	16,023
Encumbrances						
outstanding as of						
June 30, 2002	10,274	-	4,094	-	4,150	18,518

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% 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 to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$751,447, \$691,099, and \$716,830, respectively; 49.01% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$383,184, representing the unpaid contribution for fiscal year 2002, 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 LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$2,449,283, \$2,240,087, and \$2,157,480, respectively; 83.01% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$416,212, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2% of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$787,270 during fiscal 2002.

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 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 \$528,738 during the 2002 fiscal year.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - 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 and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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:

	<b>Excess (Deficiency) and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses</b>			
	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(1,001,386)	\$(225,141)	\$1,007,459	\$(22,355,805)
Net adjustment for revenue accruals	145,972	(22,808)	21,030	6,320
Net adjustment for expenditure accruals	(50,609)	27,544	-	250,008
Net adjustment for other financing sources/(uses)	195,501	(2,375)	-	6,005
Encumbrances (budget basis)	<u>2,773,766</u>	<u>139,919</u>	<u>-</u>	<u>7,713,872</u>
GAAP basis	<u>\$ 2,063,244</u>	<u>\$ (82,861)</u>	<u>\$1,028,489</u>	<u>\$(14,379,600)</u>

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 17 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**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 timeline 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 LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

**NOTE 18 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2001	\$ (2,683)	\$ -	\$171,891
Current year set-aside requirement	651,636	651,636	-
Qualifying disbursements	<u>(957,899)</u>	<u>(1,150,154)</u>	<u>-</u>
Total	<u>\$(308,946)</u>	<u>\$ (498,518)</u>	<u>\$171,891</u>
Cash balance carried forward to FY 2003	<u>\$(308,946)</u>	<u>\$ (498,518)</u>	<u>\$171,891</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks and capital acquisition reserves. These extra amounts may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	<u>\$171,891</u>
Total restricted assets	<u>\$171,891</u>

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**NOTE 19 - CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the District had the following contractual commitments outstanding related to the renovation of the Sauder, Amherst and Lake Cable elementary schools, the construction of the new Strausser Elementary School and various school improvements undertaken by the District. A summary of the primary contractual commitments follows:

<u>Project Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at 6/30/02</u>
<u>Construction Project outlined in Note 10.A.</u>			
Harris Day Architects	\$1,650,000	\$1,432,160	\$ 217,840
K Company	1,133,743	568,295	565,448
W. G. Fairfield	1,249,494	165,467	1,084,027
Summit Construction	9,126,200	7,160,440	1,965,760
WW Schaub Electric	1,431,042	1,103,441	327,601
Waller-Duman, Inc.	268,000	165,044	102,956
D & A Plumbing	1,667,950	934,381	733,569
Wood Electric	746,067	41,517	704,550
<u>Tornado Damage Renovations</u>			
Advanced Industrial Roofing	559,391	37,813	521,578
Waller-Duman, Inc.	66,702	-	66,702
<u>Various Improvements</u>			
Ohio China Wholesale	141,722	-	141,722
Toshiba Telecom Systems	95,409	-	95,409
Waller-Duman	66,702	-	66,702

JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Education</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1 2001 C1-S1 2002 C1-S1 2001	84.010	\$112,912		\$39,337 95,354 10,870	
Total Title I Grants to Local Educational Agencies			112,912		145,561	
Special Education Grants to States	6B-PM 2001 6B-PM 2002 6B-SF 2001 6B-SF 2002	84.027	25,000 11,944 256,389		1,575 23,514 17,546 243,758	
Total Special Education Grants to States			293,333		286,392	
Vocational Education Basic Grants to States	N/A N/A	84.048	1,900 35,891		9,419 27,470	
Total Vocational Education Basic Grants to States			37,791		36,889	
Safe and Drug-Free Schools and Communities State Grants	DR-S1 2002	84.186	20,438		20,438	
Technology Literacy Challenge Fund Grants	TF-41-2000	84.318			10,087	
Goals 2000 State and Local Education Systemic Improvement Grants	G2-S9 2001	84.276	15,000		1,706	
Eisenhower Professional Development State Grants	N/A MS-S1 2001 MS-S1 2002	84.281	11,199 1,504 16,808		11,199 10,790 13,776	
Total Eisenhower Professional Development State Grants			29,511		35,764	
Innovative Education Program Strategies	C2-S1 2002	84.298	26,932		26,932	
Class Size Reduction	CR-S1 2001 CR-S1 2002	84.340	20,462 60,359		30,581 59,602	
Total Class Size Reduction			80,821		90,183	
<b>Total U.S. Department of Education</b>			<b>616,738</b>		<b>653,952</b>	
<b>U.S. Department of Agriculture</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution National School Lunch Program	N/A N/A	10.550 10.555	167,021	\$56,533	167,021	\$57,479
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>167,021</b>	<b>56,533</b>	<b>167,021</b>	<b>57,479</b>
<b>Totals</b>			<b>\$783,760</b>	<b>\$56,533</b>	<b>\$820,973</b>	<b>\$57,479</b>

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

Nonmonetary 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, 2002, the District had no significant food commodities in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the general purpose financial statements of the Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 9, 2002 in which we noted the District changed its fixed asset capitalization threshold. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated December 9, 2002.

**Internal Control Over Financial Reporting**

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

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

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 the management of the District in a separate letter dated December 9, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 9, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

**Compliance**

We have audited the compliance of the Jackson Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on 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.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 9, 2002

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
JUNE 30, 2002**

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

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

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

None

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

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**JACKSON LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 7, 2003**