

**Auditor of State
Betty Montgomery**

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2003, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 23, 2004

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

The discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities increased \$3,544,601 which represents a 45.15% increase from 2002.
- General revenues accounted for \$46,279,013 in revenue or 90.31% of all revenues. The District received \$1,202,405 in proceeds from reimbursement of insurance claims, which is presented as an extraordinary item. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,761,903 or 7.34% of total revenues of \$51,243,321.
- The District had \$47,698,720 in expenses related to governmental activities; \$3,761,903 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has three major funds. They are the general fund, debt service fund and building fund. The District's major governmental funds had \$46,704,535 in revenues and other financing sources and \$51,438,505 in expenditures and other financing uses. The fund balances of the major governmental funds decreased from \$17,555,027 to \$12,840,619.
- The District has \$36,941,499 in capital assets at June 30, 2003. This amount is net of accumulated depreciation in the amount of \$25,171,856. Fiscal year 2003 depreciation expense was \$1,946,431. Total capital assets, net of related debt to acquire or construct the assets, was \$704,995 at June 30, 2003.
- The District has \$40,399,482 in long-term liabilities outstanding at June 30, 2003. Of this total, \$2,252,546 is due within one year and \$38,146,936 is due in greater than one year.

Using this Financial Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental funds are the general fund, debt service fund and building fund.

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2003.

	Net Assets
	Governmental Activities 2003
	<hr/>
<u>Assets</u>	
Current and other assets	\$ 52,352,882
Capital assets	<hr/> 36,941,499
Total assets	<hr/> 89,294,381
<u>Liabilities</u>	
Current liabilities	37,500,429
Long-term liabilities	<hr/> 40,399,482
Total liabilities	<hr/> 77,899,911
<u>Net Assets</u>	
Invested in capital assets, net of related debt	704,995
Restricted	4,754,772
Unrestricted	<hr/> 5,934,703
Total net assets	<hr/> <u>\$ 11,394,470</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$11,394,470.

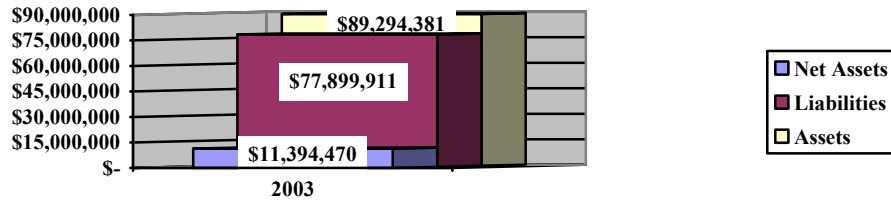
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

At year-end, capital assets represented 41.37% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2003, was \$704,995. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,754,772, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$1,842,304 is restricted for capital projects. The remaining balance of unrestricted net assets of \$5,934,703 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
<u>Revenues</u>	
Program revenues:	
Charges for services and sales	\$ 2,475,649
Operating grants and contributions	1,170,686
Capital grants and contributions	115,568
General revenues:	
Property taxes	36,161,584
Grants and entitlements	9,581,801
Investment earnings	300,273
Other	235,355
Extraordinary item	1,202,405
Total revenues	51,243,321

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Change in Net Assets

	Governmental Activities <u>2003</u>
<u>Expenses</u>	
Program expenses:	
Instruction:	
Regular	\$ 18,856,130
Special	2,202,298
Vocational	1,266,653
Other	1,071,395
Support services:	
Pupil	2,959,527
Instructional staff	1,533,927
Board of education	38,764
Administration	3,315,427
Fiscal	942,384
Business	336,437
Operations and maintenance	5,906,377
Pupil transportation	2,648,200
Central	1,522,462
Operations of non-instructional services	1,492
Food service operations	1,513,720
Extracurricular activities	1,425,783
Intergovernmental-pass through	42,272
Interest and fiscal charges	<u>2,115,472</u>
Total expenses	<u>47,698,720</u>
Increase in net assets	<u>\$ 3,544,601</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$3,544,601. Total governmental expenses of \$47,698,720 were offset by program revenues of \$3,761,903, general revenues of \$46,279,013, and an extraordinary item of \$1,202,405. Program revenues supported 7.89% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes. This revenue source accounts for 72.26% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Stark County in 2000, the District's tax valuation increased by 13% that year.

Voters approved a \$25,000,000 bond levy in March 2000. This levy, which generates approximately \$1,716,297 per year for 25 years, is expected to provide revenue for debt service through fiscal year 2025. The bond issue allowed for construction of a new elementary school as well as major renovations at each of the District's five other instructional facilities.

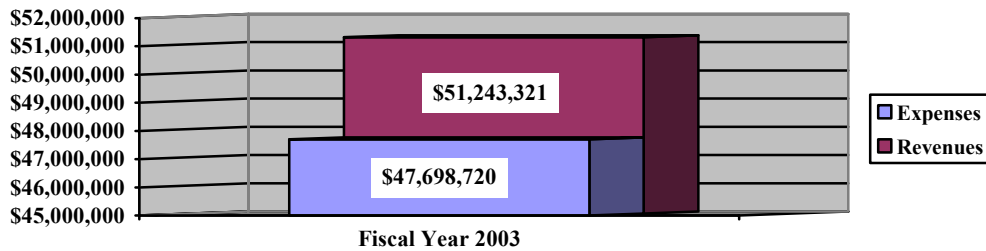
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

The District's financial condition has improved significantly in recent years, primarily due to support by the local tax payer. State support has been static due to the District being on a minimum guaranteed by the state funding formula. The District is at the twenty mill floor for local taxes. The District is projecting an increase in local funding in future years as Stark County is currently undergoing a triennial update in assessed valuations which will result in an increase of 20 mills times the increase in value.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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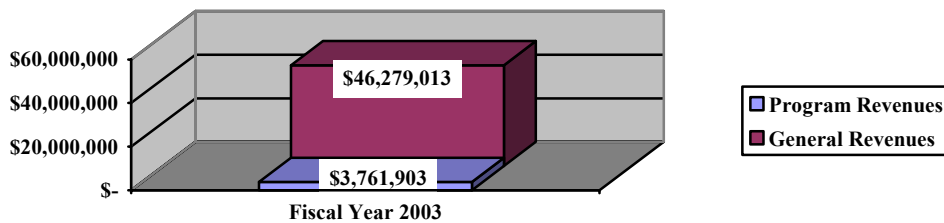
Governmental Activities

	<u>Total Cost of Services 2003</u>	<u>Net Cost of Services 2003</u>
Program expenses		
Instruction:		
Regular	\$ 18,856,130	\$ 18,123,572
Special	2,202,298	1,813,249
Vocational	1,266,653	1,126,608
Other	1,071,395	979,940
Support services:		
Pupil	2,959,527	2,767,240
Instructional staff	1,533,927	1,410,882
Board of education	38,764	38,764
Administration	3,315,427	3,102,921
Fiscal	942,384	939,802
Business	336,437	336,424
Operations and maintenance	5,906,377	5,864,602
Pupil transportation	2,648,200	2,632,445
Central	1,522,462	1,422,202
Food service operations	1,513,720	225,628
Operations of non-instructional services	1,492	143
Extracurricular activities	1,425,783	997,483
Intergovernmental pass-through	42,272	39,440
Interest and fiscal charges	<u>2,115,472</u>	<u>2,115,472</u>
Total	<u><u>\$ 47,698,720</u></u>	<u><u>\$ 43,936,817</u></u>

The dependence upon tax and other general revenues for governmental activities is apparent, 94.22% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.11%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The District's Funds

The District's governmental funds (as presented on the balance sheet on pages 18 and 19) reported a combined fund balance of \$14,400,843, which is lower than last year's total of \$18,751,313. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

	Fund Balance <u>June 30, 2003</u>	Restated Fund Balance <u>June 30, 2002</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 9,560,217	\$ 7,514,739	\$ 2,045,478	27.22%
Debt Service	2,792,185	2,071,596	720,589	34.78%
Building	488,217	7,968,692	(7,480,475)	(93.87)%
Other Governmental	<u>1,560,224</u>	<u>1,196,286</u>	<u>363,938</u>	30.42%
Total	<u>\$ 14,400,843</u>	<u>\$ 18,751,313</u>	<u>\$ (4,350,470)</u>	(23.20)%

General Fund

During fiscal year 2003, the District's general fund balance increased by \$2,045,478, which can be attributed to increased local tax revenue during fiscal year 2003. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2003 <u>Amount</u>	2002 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 30,938,134	\$ 28,197,549	\$ 2,740,585	9.72%
Tuition	117,815	113,417	4,398	3.88%
Earnings on investments	329,905	359,865	(29,960)	(8.33)%
Intergovernmental	9,022,408	8,290,692	731,716	8.83%
Other revenues	<u>277,611</u>	<u>196,233</u>	<u>81,378</u>	41.47%
Total	<u>\$ 40,685,873</u>	<u>\$ 37,157,756</u>	<u>\$ 3,528,117</u>	9.49%
<u>Expenditures</u>				
Instruction	\$ 21,004,398	\$ 18,903,557	\$ 2,100,841	11.11%
Support services	17,655,284	14,733,628	2,921,656	19.83%
Extracurricular activities	925,714	878,557	47,157	5.37%
Intergovernmental pass-through	40,324	43,870	(3,546)	(8.08)%
Facilities acquisition and construction	139,918	56,239	83,679	148.79%
Capital outlay	130,834	165,039	(34,205)	(20.73)%
Debt service	<u>94,679</u>	<u>585,616</u>	<u>(490,937)</u>	(83.83)%
Total	<u>\$ 39,991,151</u>	<u>\$ 35,366,506</u>	<u>\$ 4,624,645</u>	13.08%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Debt Service

During fiscal year 2003, the District's debt service fund balance increased by \$720,589. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,974,461	\$ 3,767,787	\$ 206,674	5.49%
Intergovernmental	<u>445,283</u>	<u>434,415</u>	<u>10,868</u>	2.50%
Total	<u>\$ 4,419,744</u>	<u>\$ 4,202,202</u>	<u>\$ 217,542</u>	5.18%
<u>Expenditures</u>				
Fiscal	\$ 49,230	\$ 42,223	\$ 7,007	16.60%
Debt Service:				
Principal	1,785,000	1,195,000	590,000	49.37%
Interest	<u>1,864,925</u>	<u>1,936,490</u>	<u>(71,565)</u>	(3.70)%
Total	<u>\$ 3,699,155</u>	<u>\$ 3,173,713</u>	<u>\$ 525,442</u>	16.56%

Building

During fiscal year 2003, the District's building fund balance decreased \$7,480,475 due to the completion of various District building projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2003</u> <u>Amount</u>	<u>2002</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Earnings on investments	<u>\$ 48,724</u>	<u>\$ 635,381</u>	<u>\$ (586,657)</u>	92.33%
<u>Expenditures</u>				
Facilities acquisition and construction	<u>\$ 7,529,199</u>	<u>\$14,852,181</u>	<u>\$ (7,322,982)</u>	49.31%

General Fund Budgeting Highlights

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

During the course of fiscal year 2003, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$40,674,649 were \$2,534,749 higher than the original budgeted revenues estimate of \$38,139,900. This increase is partially due to \$1,202,405 in reimbursement of insurance claims received during fiscal 2003 that were not included in the original budget and an increase in intergovernmental revenues. Actual revenues and other financing sources of \$40,673,699 approximated the final budgeted amounts.

General fund actual expenditures plus other financing sources of \$40,984,428 were \$3,685,365 lower than the original and final appropriations (appropriated expenditures plus other financing uses) of \$44,669,793 due to good planning and a tight control of overall expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$36,941,499 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. See Note 8 to the basic financial statements for detail. This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Land	\$ 1,974,208	\$ 1,858,688
Land improvements	397,010	306,437
Buildings and improvements	28,080,070	11,263,147
Furniture and equipment	981,418	1,152,381
Vehicles	2,433,862	2,358,444
Construction in progress	<u>3,074,931</u>	<u>13,524,156</u>
Total	<u><u>\$36,941,499</u></u>	<u><u>\$30,463,253</u></u>

The primary increase occurred in buildings and improvements related to various District building projects. Total additions to capital assets for 2003 were \$8,495,095 and \$14,801,420 of completed construction in progress was transferred to buildings and improvements.

Debt Administration

At June 30, 2003 the District had \$36,527,126 in general obligation bonds outstanding. The issue is comprised of current issue bonds and capital appreciation bonds. See Note 10 to the basic financial statements for detail. Of this total, \$1,910,000 is due within one year and \$34,617,126 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2003</u>	<u>Governmental Activities 2002</u>
Current interest bonds - 2000	\$ 23,730,000	\$ 24,190,000
Capital appreciation bonds - 2000	1,085,066	976,198
Current interest bonds - 1993	10,300,000	11,625,000
Capital appreciation bonds - 1993	<u>1,412,060</u>	<u>1,278,088</u>
Total	<u><u>\$ 36,527,126</u></u>	<u><u>\$ 38,069,286</u></u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
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The District issued the 2000 series general obligation bonds on August 3, 2000, to provide funds for various District building projects. The annual interest rate ranges from 4.45% to 5.625% and the bonds are scheduled to mature in fiscal 2026.

The District issued the 1993 series general obligation bonds on July 27, 1993 to provide funds for school facilities improvements. The annual interest rate ranges from 2.80% to 5.50% and the bonds are scheduled to mature in fiscal 2022.

At June 30, 2003, the District's overall legal debt margin was \$63,811,650 with an unvoted debt margin of \$1,083,851. The District's most recent bond issue maintained a Standard and Poor's rating and a Fitch, Inc. rating of AAA and AAA respectively.

Current Financial Related Activities

Overall, the District has been financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. An increase in property tax revenue is expected in fiscal year 2004 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2004. However, the future financial stability of the District is not without challenges.

The first challenge is the loss of state foundation revenues due to charge-offs for post secondary option and children attending community schools. The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2004. The District is currently developing a plan to control spending for years beyond fiscal year 2004. There is no doubt that the District will face some form of renewal of the emergency levy that it will collect through calendar year 2006.

The next challenge facing the District is to continue meeting the demands of growth. The District's enrollment has been stable the past several years, but is now seeing a growth trend. Producing valid growth estimates along with providing additional space for an overcrowded high school will be a theme that carries into fiscal year 2004.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. The court is likely to either accept or reject the petition before the end of 2003. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision, no state revenue growth was realized. From a legislative standpoint many decisions have been made that have a deteriorating effect on school revenues: the decision in past years to raise the charge off millage on the school foundation program to 23 mills from 20 mills; the decision to phase out the personal property tax; the decision to grant authority to the State Department of Taxation charging a fee to distribute rollback, homestead and personal property tax.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the state and federal government. Examples would be Educational Management Information System (state) and No Child Left Behind (federal) compliance.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
UNAUDITED**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Douglas B. Winkler, Treasurer, Jackson Local School District, 7984 Fulton Drive NW, Massillon, Ohio 44646.

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

STATEMENT OF NET ASSETS
JUNE 30, 2003

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 16,804,246
Receivables:	
Taxes	35,049,721
Accounts	105,008
Intergovernmental	63,671
Accrued interest	24,486
Prepayments	41,300
Materials and supplies inventory	264,450
Capital assets:	
Land	1,974,208
Construction in progress	3,074,931
Depreciable capital assets, net	31,892,360
Capital assets, net.	36,941,499
 Total assets.	 89,294,381
 Liabilities:	
Accounts payable.	347,355
Accrued wages and benefits	4,284,640
Pension obligation payable.	988,883
Intergovernmental payable	156,294
Deferred revenue	31,578,865
Accrued interest payable	144,392
Long-term liabilities:	
Due within one year.	2,252,546
Due within more than one year	38,146,936
 Total liabilities	 77,899,911
 Net Assets:	
Invested in capital assets, net of related debt.	704,995
Restricted for:	
Capital projects	1,842,304
Debt service.	2,734,782
Other purposes	177,686
Unrestricted.	5,934,703
 Total net assets	 \$ 11,394,470

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 18,856,130	\$ 409,266	\$ 207,724	\$ 115,568	\$ (18,123,572)
Special	2,202,298	170	388,879	-	(1,813,249)
Vocational	1,266,653	137,205	2,840	-	(1,126,608)
Other	1,071,395	33,322	58,133	-	(979,940)
Support services:					
Pupil.	2,959,527	128,978	63,309	-	(2,767,240)
Instructional staff	1,533,927	995	122,050	-	(1,410,882)
Board of education	38,764	-	-	-	(38,764)
Administration.	3,315,427	190,895	21,611	-	(3,102,921)
Fiscal.	942,384	-	2,582	-	(939,802)
Business.	336,437	13	-	-	(336,424)
Operations and maintenance	5,906,377	41,775	-	-	(5,864,602)
Pupil transportation	2,648,200	15,585	170	-	(2,632,445)
Central	1,522,462	54,802	45,458	-	(1,422,202)
Operation of non-instructional services:					
Food service operations	1,513,720	1,034,343	253,749	-	(225,628)
Other non-instructional services	1,492	-	1,349	-	(143)
Extracurricular activities.	1,425,783	428,300	-	-	(997,483)
Intergovernmental pass-through	42,272	-	2,832	-	(39,440)
Interest and fiscal charges	2,115,472	-	-	-	(2,115,472)
Total governmental activities	<u>\$ 47,698,720</u>	<u>\$ 2,475,649</u>	<u>\$ 1,170,686</u>	<u>\$ 115,568</u>	<u>(43,936,817)</u>
General Revenues:					
Property taxes levied for:					
General purposes					31,140,824
Debt service.					3,993,117
Capital projects					1,027,643
Grants and entitlements not restricted to specific programs.					9,581,801
Investment earnings					300,273
Miscellaneous					235,355
					46,279,013
Total general revenues					46,279,013
Extraordinary Item:					
Reimbursement of insurance claims					1,202,405
Total general revenues and extraordinary item.					47,481,418
Change in net assets					3,544,601
Net assets at beginning of year (restated).					7,849,869
Net assets at end of year					\$ 11,394,470

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003

	General	Debt Service	Building	Other Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 11,981,488	\$ 2,484,959	\$ 488,217	\$ 1,677,691
Receivables:				
Taxes	30,194,557	3,864,008	-	991,156
Accounts	105,008	-	-	-
Intergovernmental	-	-	-	63,671
Accrued interest	24,486	-	-	-
Interfund loans	25,000	-	-	-
Prepayments	41,300	-	-	-
Materials and supplies inventory	232,072	-	-	18,387
Restricted assets:				
Equity in pooled cash and cash equivalents	171,891	-	-	-
Total assets	\$ 42,775,802	\$ 6,348,967	\$ 488,217	\$ 2,750,905
Liabilities:				
Accounts payable	\$ 343,063	\$ -	\$ -	\$ 4,292
Accrued wages and benefits	4,099,826	-	-	184,814
Compensated absences payable	71,792	-	-	6,953
Pension obligation payable	149,405	-	-	6,889
Intergovernmental payable	570,038	-	-	20,602
Interfund loan payable	-	-	-	25,000
Deferred revenue	27,981,461	3,556,782	-	942,131
Total liabilities	33,215,585	3,556,782	-	1,190,681
Fund Balances:				
Reserved for encumbrances	1,586,422	-	424,875	427,125
Reserved for materials and supplies inventory	232,072	-	-	18,387
Reserved for prepayments	41,300	-	-	-
Reserved for property tax unavailable for appropriation	2,231,527	307,226	-	78,788
Reserved for BWC refunds	171,891	-	-	-
Reserved for unclaimed monies	2,984	-	-	-
Undesignated, reported in:				
General fund	5,294,021	-	-	-
Special revenue funds	-	-	-	48,170
Debt service fund	-	2,484,959	-	-
Capital projects funds	-	-	63,342	987,754
Total fund balances	9,560,217	2,792,185	488,217	1,560,224
Total liabilities and fund balances	\$ 42,775,802	\$ 6,348,967	\$ 488,217	\$ 2,750,905

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 16,632,355
35,049,721
105,008
63,671
24,486
25,000
41,300
250,459

171,891

\$ 52,363,891

\$ 347,355
4,284,640
78,745
156,294
590,640
25,000
32,480,374

37,963,048

2,438,422

250,459
41,300

2,617,541
171,891
2,984

5,294,021
48,170
2,484,959
1,051,096

14,400,843

\$ 52,363,891

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances		\$	14,400,843
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			36,941,499
Federal donated commodities are not reported in the funds.			13,991
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	885,353	
Accrued interest		<u>16,156</u>	
Total			901,509
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(3,596,016)	
Pension obligation payable		(398,243)	
General obligation bonds payable		(36,527,126)	
Capital lease obligation payable		(197,595)	
Accrued interest payable		<u>(144,392)</u>	
Total			<u>(40,863,372)</u>
Net assets of governmental activities		<u>\$</u>	<u>11,394,470</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 30,938,134	\$ 3,974,461	\$ -	\$ 1,018,479
Tuition	117,815	-	-	95,884
Charges for services	-	-	-	1,034,343
Earnings on investments	329,905	-	48,724	-
Extracurricular	-	-	-	578,541
Contributions and donations	7,742	-	-	99,992
Other local revenues	269,869	-	-	308,235
Other revenue	-	-	-	1,948
Intergovernmental - State	8,986,728	445,283	-	385,919
Intergovernmental - Federal	35,680	-	-	874,351
Total revenue	<u>40,685,873</u>	<u>4,419,744</u>	<u>48,724</u>	<u>4,397,692</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,223,735	-	-	403,875
Special	1,772,038	-	-	400,732
Vocational	1,057,773	-	-	147,730
Other	950,852	-	-	124,155
Support services:				
Pupil	2,705,225	-	-	200,399
Instructional staff	1,380,861	-	-	142,692
Board of education	38,764	-	-	-
Administration	2,988,892	-	-	286,612
Fiscal	870,677	49,230	-	14,837
Business	295,866	-	-	-
Operations and maintenance	5,322,405	-	-	130
Pupil transportation	2,683,348	-	-	-
Central	1,369,246	-	-	159,052
Operation of non-instructional services:				
Food service operations	-	-	-	1,339,657
Other non-instructional services	-	-	-	1,492
Extracurricular activities	925,714	-	-	424,063
Intergovernmental pass-through	40,324	-	-	1,948
Facilities acquisition and construction	139,918	-	7,529,199	595,594
Capital outlay	130,834	-	-	-
Debt service:				
Principal retirement	80,222	1,785,000	-	-
Interest and fiscal charges	14,457	1,864,925	-	-
Total expenditures	<u>39,991,151</u>	<u>3,699,155</u>	<u>7,529,199</u>	<u>4,242,968</u>
Excess of revenues under expenditures	<u>694,722</u>	<u>720,589</u>	<u>(7,480,475)</u>	<u>154,724</u>
Other financing sources (uses):				
Transfers in	-	-	-	219,000
Transfers (out)	(219,000)	-	-	-
Proceeds from sale of capital assets	216,955	-	-	-
Proceeds from capital lease transactions	130,834	-	-	-
Total other financing sources (uses)	<u>128,789</u>	<u>-</u>	<u>-</u>	<u>219,000</u>
Extraordinary item:				
Reimbursement of insurance claims	1,202,405	-	-	-
Net change in fund balances	2,025,916	720,589	(7,480,475)	373,724
Fund balances at beginning of year (restated)				
	7,514,739	2,071,596	7,968,692	1,196,286
Increase in reserve for inventory	19,562	-	-	(9,786)
Fund balances at end of year	<u>\$ 9,560,217</u>	<u>\$ 2,792,185</u>	<u>\$ 488,217</u>	<u>\$ 1,560,224</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Total
Governmental
Funds**

\$ 35,931,074
213,699
1,034,343
378,629
578,541
107,734
578,104
1,948
9,817,930
910,031
49,552,033

17,627,610
2,172,770
1,205,503
1,075,007

2,905,624
1,523,553
38,764
3,275,504
934,744
295,866
5,322,535
2,683,348
1,528,298

1,339,657
1,492
1,349,777
42,272
8,264,711
130,834

1,865,222
1,879,382

55,462,473

(5,910,440)

219,000
(219,000)
216,955
130,834

347,789

1,202,405

(4,360,246)

18,751,313
9,776

\$ 14,400,843

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$	(4,360,246)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		6,548,664
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(70,418)
Donated commodities received and the related expense is not recognized in the funds.		13,991
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		9,776
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		187,815
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		1,865,222
Proceeds of capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(130,834)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(236,090)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(283,279)
Change in net assets of governmental activities	\$	<u>3,544,601</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Under)</u>
Revenues:				
From local sources:				
Taxes	\$ 29,274,900	\$ 29,326,436	\$ 29,325,487	\$ (949)
Tuition	80,579	141,699	141,699	-
Earnings on investments	323,879	320,147	320,146	(1)
Contributions and donations	29,550	7,742	7,742	-
Other local revenues	150,663	178,939	178,940	1
Intergovernmental - State	8,262,377	9,021,279	9,021,278	(1)
Intergovernmental - Federal	11,564	35,680	35,680	-
Total revenue	<u>38,133,512</u>	<u>39,031,922</u>	<u>39,030,972</u>	<u>(950)</u>
Expenditures:				
Current:				
Instruction:				
Regular	17,939,715	17,545,164	16,998,567	546,597
Special	1,990,748	1,985,748	1,711,378	274,370
Vocational	1,147,200	1,147,200	1,045,617	101,583
Other	1,144,521	1,214,521	1,210,311	4,210
Support services:				
Pupil	3,069,936	3,068,736	2,685,074	383,662
Instructional staff	1,566,539	1,566,539	1,354,934	211,605
Board of education	58,928	58,928	50,236	8,692
Administration	2,896,464	3,055,964	2,961,331	94,633
Fiscal	914,556	914,556	859,087	55,469
Business	389,132	419,182	408,824	10,358
Operations and maintenance	5,929,030	6,079,030	5,703,441	375,589
Pupil transportation	2,778,042	2,749,043	2,706,594	42,449
Central	2,251,230	2,131,230	1,731,641	399,589
Extracurricular activities	947,933	957,933	917,855	40,078
Facilities acquisition and construction	747,400	747,400	166,379	581,021
Intergovernmental pass-through	45,000	45,000	40,324	4,676
Total expenditures	<u>43,816,374</u>	<u>43,686,174</u>	<u>40,551,593</u>	<u>3,134,581</u>
Excess of revenues over (under) expenditures	<u>(5,682,862)</u>	<u>(4,654,252)</u>	<u>(1,520,621)</u>	<u>3,133,631</u>
Other financing sources (uses):				
Refund of prior year expenditure	4,388	38,417	38,417	-
Refund of prior year receipt	(3,419)	(11,419)	(10,635)	784
Transfers (out)	(121,800)	(219,000)	(219,000)	-
Advances in	-	184,950	184,950	-
Advances (out)	(178,200)	(203,200)	(203,200)	-
Proceeds from sale of capital assets	2,000	216,955	216,955	-
Reimbursement of insurance claims	-	1,202,405	1,202,405	-
Contingencies	(550,000)	(550,000)	-	550,000
Total other financing sources (uses)	<u>(847,031)</u>	<u>659,108</u>	<u>1,209,892</u>	<u>550,784</u>
Net change in fund balance	(6,529,893)	(3,995,144)	(310,729)	3,684,415
Fund balance at beginning of year (restated).	7,767,364	7,767,364	7,767,364	-
Prior year encumbrances appropriated	2,773,766	2,773,766	2,773,766	-
Fund balance at end of year	<u>\$ 4,011,237</u>	<u>\$ 6,545,986</u>	<u>\$ 10,230,401</u>	<u>\$ 3,684,415</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 48,912	\$ 76,544
Total assets	48,912	76,544
Liabilities:		
Accounts payable	-	279
Due to students	-	76,265
Total liabilities	-	\$ 76,544
Net Assets:		
Held in trust for scholarships	48,912	
Total net assets	\$ 48,912	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 763
Gifts and contributions.	8,965
	9,728
Total additions.	9,728
Deductions:	
Scholarships awarded	13,596
	(3,868)
Change in net assets	(3,868)
Net assets at beginning of year.	52,780
	48,912
Net assets at end of year	\$ 48,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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 64th largest by total revenue among the 740 public and community school districts in the state, and 3rd largest in Stark County. The District employs 222 non-certified, and 362 certified employees, and 28 administrators to provide services to 5,411 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government 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 organizations' 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. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

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 POOLS

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 39 Stark County school districts.

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 to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation of resources and payment of general obligation bonds and notes payable.

Building Fund - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable 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.
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 2003.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2003. 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.

F. Cash and Investments

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

During fiscal year 2003, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, and investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2003. 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, 2003.

Under existing Ohio statutes all investment earning are assigned to the general fund except for those specifically related to the Building capital projects fund, the Food Service special revenue fund or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$329,905 which includes \$139,411 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

G. Inventory

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

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of ten thousand dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, materials and supplies inventory, property taxes unavailable for appropriation, Bureau of Workers' Compensation (BWC) refunds, and unclaimed monies. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

M. Net Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

N. Prepayments

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

O. Estimates

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

P. 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 17 for details.

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2003, the District incurred a transaction that would be classified as an extraordinary item. The District received \$1,202,405 in proceeds of reimbursement of insurance claims related to tornado damage that occurred on April 28, 2002.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance at June 30, 2002	\$ 7,473,847	\$ 2,071,596	\$ 7,968,692	\$ 1,186,697	\$18,700,832
Fund reclassifications	2,768	-	-	9,589	12,357
Implementation of GASB Interpretation No. 6	<u>38,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,124</u>
Restated fund balance, June 30, 2002	<u>\$ 7,514,739</u>	<u>\$ 2,071,596</u>	<u>\$ 7,968,692</u>	<u>\$ 1,196,286</u>	<u>\$18,751,313</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2002	\$18,751,313
GASB 34 adjustments:	
Long-term (deferred) assets	713,694
Capital assets	30,463,253
Accrued interest payable	(151,142)
Long-term liabilities	<u>(41,927,249)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 7,849,869</u>

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund - The general fund unencumbered fund balance at the beginning of the year has been restated from \$7,764,596 to \$7,767,364 due to a fund reclassification to properly reflect its intended purpose in accordance with GASB Statement No. 34.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 86,529
Adult Education	17,857
Ohio Reads	172
Carl D. Perkins	146
Drug-Free Grant	46
Continuous Improvement	27
Miscellaneous Federal Grants	343

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities and will be eliminated in the next fiscal year as revenues become available to cover costs as they are incurred.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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 \$2,520 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$4,704,319 and the bank balance was \$5,020,672. These balances included \$5,000,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$520,672 was covered by federal depository insurance; and
2. \$4,500,000 was uninsured and unregistered as defined by GASB although 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.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal 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 are not categorized as they are 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 agreements	\$ 4,121,164	\$ 4,121,164	\$ 4,121,164
Federal agency securities	<u>2,513,385</u>	2,513,385	2,513,385
Total	<u>\$ 6,634,549</u>		
Investment in STAR Ohio		<u>5,588,314</u>	<u>5,588,314</u>
Total investments		<u>\$ 12,222,863</u>	<u>\$ 12,222,863</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 16,929,702	\$ -
Investments of the cash management pool:		
Repurchase agreements	(4,121,164)	4,121,164
Investment in STAR Ohio	(5,588,314)	5,588,314
Federal agency securities	(2,513,385)	2,513,385
Cash on hand	<u>(2,520)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 4,704,319</u>	<u>\$ 12,222,863</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2003 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 25,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2003 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$219,000

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark and Summit Counties. The Stark County Auditor and the Summit County Fiscal Officer periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$2,231,527 in the general fund, \$307,226 in the debt service fund and \$78,788 in the capital projects funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2002 was \$618,880 in the general fund, \$85,900 in the debt service fund, and \$22,020 in the capital projects funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 731,228,660	83.40	\$ 936,280,090	86.39
Public utility personal	47,754,550	5.45	34,059,250	3.14
Tangible personal property	<u>97,753,078</u>	<u>11.15</u>	<u>113,511,672</u>	<u>10.47</u>
Total	<u>\$ 876,736,288</u>	<u>100.00</u>	<u>\$ 1,083,851,012</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.50		\$ 48.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Property taxes	\$ 35,049,721
Accounts	105,008
Intergovernmental	63,671
Accrued interest	<u>24,486</u>
Total	<u>\$ 35,242,886</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to the fund reclassifications described in Note 3.A., the depreciation of assets in accordance with GASB Statement No. 34 that were formerly reported in the general fixed asset account group, and errors and omissions reported in prior years.

	Balance		Restated
	<u>June 30, 2002</u>	<u>Adjustments</u>	<u>Balance</u>
			<u>June 30, 2002</u>
Governmental Activities			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,858,688	\$ -	\$ 1,858,688
Construction in progress	<u>14,033,901</u>	<u>(509,745)</u>	<u>13,524,156</u>
Total capital assets, not being depreciated	<u>15,892,589</u>	<u>(509,745)</u>	<u>15,382,844</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	185,871	157,268	343,139
Buildings and improvements	30,837,972	1,117,592	31,955,564
Furniture and equipment	3,327,919	(445,406)	2,882,513
Vehicles	<u>4,089,957</u>	<u>16,900</u>	<u>4,106,857</u>
Total capital assets, being depreciated	<u>38,441,719</u>	<u>846,354</u>	<u>39,288,073</u>
<i>Less: accumulated depreciation</i>	<u>-</u>	<u>(24,207,664)</u>	<u>(24,207,664)</u>
Governmental activities capital assets, net	<u>\$ 54,334,308</u>	<u>\$ (23,871,055)</u>	<u>\$ 30,463,253</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance <u>June 30, 2002</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2003</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,858,688	\$ 115,520	\$ -	\$ 1,974,208
Construction in progress	<u>13,524,156</u>	<u>4,352,195</u>	<u>(14,801,420)</u>	<u>3,074,931</u>
Total capital assets, not being depreciated	<u>15,382,844</u>	<u>4,467,715</u>	<u>(14,801,420)</u>	<u>5,049,139</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	343,139	110,475	-	453,614
Building and improvements	31,955,564	18,188,081	-	50,143,645
Furniture and equipment	2,882,513	103,444	(991,440)	1,994,517
Vehicles	<u>4,106,857</u>	<u>426,800</u>	<u>(61,217)</u>	<u>4,472,440</u>
Total capital assets, being depreciated	<u>39,288,073</u>	<u>18,828,800</u>	<u>(1,052,657)</u>	<u>57,064,216</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(36,702)	(19,902)	-	(56,604)
Building and improvements	(20,692,417)	(1,371,158)	-	(22,063,575)
Furniture and equipment	(1,730,132)	(203,989)	921,022	(1,013,099)
Vehicles	<u>(1,748,413)</u>	<u>(351,382)</u>	<u>61,217</u>	<u>(2,038,578)</u>
Total accumulated depreciation	<u>(24,207,664)</u>	<u>(1,946,431)</u>	<u>982,239</u>	<u>(25,171,856)</u>
Governmental activities capital assets, net	<u>\$ 30,463,253</u>	<u>\$ 21,350,084</u>	<u>\$ (14,871,838)</u>	<u>\$ 36,941,499</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,056,021
Special	34,225
Vocational	48,042

Support Services:

Pupil	25,351
Instructional staff	57,837
Administration	32,603
Fiscal	581
Business	40,008
Operations and maintenance	121,220
Pupil transportation	361,743
Central	2,330
Extracurricular activities	59,382
Food service operations	<u>107,088</u>
Total depreciation expense	<u>\$ 1,946,431</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the District entered into capitalized leases for copier and computer equipment. During fiscal 2003, the District entered into a capitalized lease for additional computer equipment. These lease agreements 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as business and central function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$389,469. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$80,222 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2004	\$ 85,876
2005	84,353
2006	40,008
2007	<u>4,688</u>
Total minimum lease payments	214,925
Less amount representing interest	<u>(17,330)</u>
Total	<u>\$ 197,595</u>

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 Statement of Net Assets. 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 Statement of Net Assets at June 30, 2003 was \$804,509. A total of \$280,557 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2003.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2003 on the 2000 series general obligation bonds:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Current interest bonds	\$ 24,190,000	\$ -	\$ (460,000)	\$ 23,730,000
Capital appreciation bonds	<u>976,198</u>	<u>108,868</u>	<u>-</u>	<u>1,085,066</u>
Total G.O. bonds	<u>\$ 25,166,198</u>	<u>\$ 108,868</u>	<u>\$ (460,000)</u>	<u>\$ 24,815,066</u>

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	-	1,146,926	1,146,926	905,000	-	905,000
2009 - 2013	4,360,000	5,322,821	9,682,821	935,000	-	935,000
2014 - 2018	5,210,000	3,929,546	9,139,546	-	-	-
2019 - 2023	6,585,000	2,336,335	8,921,335	-	-	-
2024 - 2026	<u>4,900,000</u>	<u>423,565</u>	<u>5,323,565</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 23,730,000</u>	<u>\$ 18,026,979</u>	<u>\$ 41,756,979</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 Statement of Net Assets. 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 Statement of Net Assets at June 30, 2003 was \$529,120. A total of \$882,940 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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.

The following is a schedule of activity for fiscal 2003 on the 1993 series general obligation bonds:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2003</u>
Current interest bonds	\$ 11,625,000	\$ -	\$ (1,325,000)	\$ 10,300,000
Capital appreciation bonds	<u>1,278,088</u>	<u>133,972</u>	<u>-</u>	<u>1,412,060</u>
Total G.O. bonds	<u>\$ 12,903,088</u>	<u>\$ 133,972</u>	<u>\$ (1,325,000)</u>	<u>\$ 11,712,060</u>

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

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	350,000	396,870	746,870	-	-	-
2009 - 2013	2,060,000	1,669,260	3,729,260	-	-	-
2014 - 2018	2,555,000	1,044,078	3,599,078	-	-	-
2019 - 2022	<u>2,475,000</u>	<u>277,888</u>	<u>2,752,888</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 10,300,000</u>	<u>\$ 5,158,971</u>	<u>\$ 15,458,971</u>	<u>\$ 1,845,000</u>	<u>\$ -</u>	<u>\$ 1,845,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

C. The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability increased \$93,226 from \$3,303,452 to \$3,396,678 due to the fund reclassifications described in Note 3.A. In addition, pension obligations of \$278,997 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the Statement of Net Assets. The capital lease obligation was reduced by \$190,134 to properly record the obligation at July 1, 2002. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$375,905 from \$41,988,852 to \$41,612,947. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

	Restated Balance July 1, 2002	Increase	Decrease	Balance June 30, 2003	Amount Due in One Year
General obligation bonds	\$ 38,069,286	\$ 242,840	\$ (1,785,000)	\$ 36,527,126	\$ 1,910,000
Capital lease obligation	146,983	130,834	(80,222)	197,595	75,805
Compensated absences	<u>3,396,678</u>	<u>695,787</u>	<u>(417,704)</u>	<u>3,674,761</u>	<u>266,741</u>
Total	<u>\$ 41,612,947</u>	<u>\$ 1,069,461</u>	<u>\$ (2,282,926)</u>	<u>\$ 40,399,482</u>	<u>\$ 2,252,546</u>

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, 2003 are a voted debt margin of \$63,811,650 (including available funds of \$2,792,185) and an unvoted debt margin of \$1,083,851.

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

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:	Indiana Insurance		
Each occurrence		\$1,000,000	\$ 0
Aggregate		3,000,000	0
Building and contents	Indiana Insurance	Replacement cost	5,000
Fleet:	Indiana Insurance		
Auto only		2,000,000	500
Other than auto only		2,000,000	500
Aggregate other than auto		6,000,000	500
Uninsured Motorist		50,000	500
Umbrella liability	Indiana Insurance	5,000,000	5,000

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 39 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 \$619.96 for family coverage and \$255.20 for single coverage per employee per month and the District pays dental premiums of \$79.94 for family coverage and \$32.41 for single coverage per employee per month.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2003, 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$805,350, \$751,447, and \$691,099, respectively; 42.16% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$465,814, represents the unpaid contribution for fiscal year 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$2,490,905, \$2,449,283, and \$2,240,087, respectively; 82.52% has been contributed for fiscal year 2003 and 100% for the fiscal years 2002 and 2001. \$435,410, represents the unpaid contribution for fiscal year 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$177,922 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002 (the latest information available), net health care costs paid by STRS were \$354.697 million and STRS had 105,300 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 5.83% 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 2003, the minimum pay has been established at \$14,500. 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, 2002 (the latest information available) were \$182.947 million and the target level was \$274.4 million. At June 30, 2002, (the latest information available) SERS had net assets available for payment of health care benefits of \$335.2 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 \$394,217 during the 2003 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (310,729)
Net adjustment for revenue accruals	1,654,901
Net adjustment for expenditure accruals	(1,360,891)
Net adjustment for other sources/uses	(1,081,103)
Net adjustment for extraordinary item	1,202,405
Adjustment for encumbrances	1,921,333
GAAP basis	\$ 2,025,916

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

The District is a 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 December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2002	\$ (308,946)	\$ -	\$ 171,891
Current year set-aside requirement	735,218	735,218	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(1,395,826)</u>	<u>(1,138,088)</u>	<u>-</u>
Total	<u>\$ (969,554)</u>	<u>\$ (402,870)</u>	<u>\$ 171,891</u>
Balance carried forward to FY 2004	<u>\$ (969,554)</u>	<u>\$ -</u>	<u>\$ 171,891</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

NOTE 17 - STATUTORY RESERVES - (Continued)

A schedule of restricted assets at June 30, 2003 follows:

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2003, 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 June 30, 2003</u>
<u>Construction Project outlined in Note 10.A.</u>			
Harris Day Architects	\$ 681,970	\$ 681,418	\$ 552
Dot Construction	361,670	-	361,670
Republic Storage Systems	82,500	-	82,500
<u>Tornado Damage Renovations</u>			
Advanced Industrial Roofing	425,950	318,460	107,490

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1 2002 C1-S1 2003	84.010	\$20,316 102,081		\$37,874 96,459	
Total Title I Grants to Local Educational Agencies			122,397		134,333	
Special Education Cluster: Special Education Grants to States	6B-PM 2002 6B-SF 2002 6B-SF 2003	84.027	1,440 364,118		1,486 14,071 327,664	
Total Special Education Cluster/Special Education Grants to States			365,558		343,221	
Safe and Drug-Free Schools and Communities State Grants	DR-S1 2003	84.186	15,224		15,224	
Education Technology State Grants	TF-41-2003	84.318	3,773		3,773	
Goals 2000 State and Local Education Systemic Improvement Grants	G2-S9 2002	84.276			13,339	
Eisenhower Professional Development State Grants	MS-S1 2002	84.281	1,552		18,360	
Innovative Education Program Strategies	C2-S1 2003	84.298	29,431		27,800	
Class Size Reduction	CR-S1 2002	84.340	2,784		3,541	
School Renovation Grant	AT-S3-2003	84.352A	11,112		11,112	
English Language Acquisition Grants	T3-S1-2003	84.365	10,092		9,962	
Improving Teacher Quality State Grants	TR-S1-2003	84.367	106,756		106,756	
<i>Passed-Through Plain Local School District</i>						
Vocational Education Basic Grants to States	N/A - 2002 N/A - 2003	84.048	41,636		8,421 41,485	
Total Passed-Through Plain Local School District/Vocational Education Basic Grants to States			41,636		49,906	
Total U.S. Department of Education			710,315		737,327	
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Donation National School Lunch Program	N/A N/A	10.550 10.555	136,071	\$70,616	136,071	\$70,616
Total U.S. Department of Agriculture - Child Nutrition Cluster			136,071	70,616	136,071	70,616
Totals			\$846,386	\$70,616	\$873,398	\$70,616

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, 2003**

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 – CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 financial statements of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 23, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 23, 2004.

Internal Control Over Financial Reporting

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

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 23, 2004.

111 Second St., NW / Fourth Floor / Canton, OH 44702
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www.auditor.state.oh.us

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 23, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS 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 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, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of 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, 2003.

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.

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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 the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 23, 2004

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

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):	Special Education Cluster: Special Education Grants to States, CFDA #84.027
<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.



**Auditor of State
Betty Montgomery**

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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
MARCH 30, 2004**