



**Auditor of State  
Betty Montgomery**



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash, Investments and Fund Cash Balances - All Fund Types .....	3
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Types.....	4
Combined Statement of Receipts, Disbursements and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types.....	5
Combined Statement of Receipts - Budget and Actual - All Budgeted Fund Types.....	6
Combined Statement of Disbursements Compared with Expenditure Authority - All Budgeted Fund Types .....	8
Notes to the Financial Statements .....	11
Schedule of Federal Awards Receipts and Expenditures.....	27
Notes to Schedule of Federal Awards Receipts and Expenditures .....	28
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	29
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	31
Schedule of Findings - <i>OMB Circular A-133 §.505</i> .....	33
Schedule of Prior Audit Findings - <i>OMB Circular A-133 §.315(b)</i> .....	38
Corrective Action Plan - <i>OMB Circular A-133 §.315(c)</i> .....	39

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Education:

We have audited the accompanying financial statements of Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 opinion.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on the basis of accounting formerly prescribed or permitted by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments and combined fund cash balances of the Jackson City School District, Jackson County, as of June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2004 on our consideration of the School 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.

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

This report is intended solely for the information and use of the management, the Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, 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

February 6, 2004

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH, INVESTMENTS AND  
FUND CASH BALANCES  
ALL FUND TYPES  
AS OF JUNE 30, 2003**

Cash	\$ 3,054,282
Investments:	
Certificates of Deposit	6,047,384
StarOhio	<u>25,962,411</u>
<b>Total - Cash and Investments</b>	<b><u>\$ 35,064,077</u></b>

**CASH BALANCES BY FUND TYPE**

**Governmental Funds:**

General	\$ 2,801,427
Special Revenue	1,215,942
Debt Service	75,835
Capital Projects	26,578,647

**Proprietary Funds:**

Enterprise	115,351
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**Fiduciary Funds:**

Expendable Trust	2,304,145
Nonexpendable Trust	1,286,018
Agency	<u>686,712</u>

<b>Total</b>	<b><u>\$ 35,064,077</u></b>
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*The notes to the financial statements are an integral part of this statement.*

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDING JUNE 30, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>RECEIPTS:</b>						
Receipts from Local Sources:						
Taxes	\$ 4,046,253		\$ 769,847	\$ 625,136	\$	\$ 5,441,236
Tuition	484,461					484,461
Earnings on Investments	52,751		20,000	500,882	185,609	759,242
Extracurricular Activities		272,566			8,912	281,478
Classroom Material & Fees	4,014				1,877	5,891
Miscellaneous	22,147	3,549			19,141	44,837
Receipts from State Sources:						
Unrestricted Grants-In-Aid	10,753,024		83,590	67,153	2,178	10,905,945
Restricted Grants-In-Aid	226,233	741,308		17,624,066		18,591,607
Receipts from Federal Sources:						
Restricted Grants-In-Aid	71,776	1,670,214				1,741,990
Total Receipts	<u>15,660,659</u>	<u>2,687,637</u>	<u>873,437</u>	<u>18,817,237</u>	<u>217,717</u>	<u>38,256,687</u>
<b>DISBURSEMENTS:</b>						
Instruction:						
Regular	7,851,639	254,024		90,115	9,135	8,204,913
Special	883,724	1,038,353		500	3,782	1,926,359
Vocational Education	90,392					90,392
Other Instruction	4,713					4,713
Supporting Services:						
Pupils	608,645	8,793				617,438
Instructional Staff	730,458	180,490		10,583		921,531
Board of Education	63,954					63,954
Administration	1,435,727	149,613			506	1,585,846
Fiscal Services	547,706		24,100	22,454		594,260
Business	51,387					51,387
Operation and Maintenance - Plant	1,725,908			28,120		1,754,028
Pupil Transportation	960,000			248,190		1,208,190
Central	5,913					5,913
Operation of Noninstructional Services:						
Community Services					6,000	6,000
Extracurricular Activities:						
Academic and Subject Oriented Activities	49,919	38,627			5,208	93,754
Sports Oriented	246,017	164,938			422	411,377
Co-Curricular Activities	5,318	62,702				68,020
Facilities Acquisition and Construction Services:						
Site Acquisition				907		907
Architecture and Engineering				1,512		1,512
Building Acquisition and Construction				15,669,425		15,669,425
Other Facilities Acquisition and Construction				1,000		1,000
Debt Service:						
Repayment of Debt			1,141,828			1,141,828
Total Disbursements	<u>15,261,420</u>	<u>1,897,540</u>	<u>1,165,928</u>	<u>16,072,806</u>	<u>25,053</u>	<u>34,422,747</u>
Excess of Receipts Over/(Under) Disbursements	<u>399,239</u>	<u>790,097</u>	<u>(292,491)</u>	<u>2,744,431</u>	<u>192,664</u>	<u>3,833,940</u>
<b>OTHER FINANCING SOURCES/(USES)</b>						
Transfers-In	2,200	192,886	383,620		2,567	581,273
Advances-In	218,120					218,120
Sale of Fixed Assets	1,746					1,746
Transfers-Out	(197,176)	(8,457)	(65,000)	(318,620)	(4,723)	(593,976)
Advances-Out		(218,120)				(218,120)
Total Other Financing Sources/(Uses)	<u>24,890</u>	<u>(33,691)</u>	<u>318,620</u>	<u>(318,620)</u>	<u>(2,156)</u>	<u>(10,957)</u>
Excess of Receipts and Other Financing Sources Over/(Under) Disbursements and Other Financing (Uses)	424,129	756,406	26,129	2,425,811	190,508	3,822,983
Fund Cash Balances, July 1	<u>2,377,298</u>	<u>459,536</u>	<u>49,706</u>	<u>24,152,836</u>	<u>2,113,637</u>	<u>29,153,013</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$ 2,801,427</u></b>	<b><u>\$ 1,215,942</u></b>	<b><u>\$ 75,835</u></b>	<b><u>\$ 26,578,647</u></b>	<b><u>\$ 2,304,145</u></b>	<b><u>\$ 32,975,996</u></b>

The notes to the financial statements are an integral part of this statement.



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND  
CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE:  
FOR THE YEAR ENDED JUNE 30, 2003**

	Proprietary Fund Type	Fiduciary Fund Type		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
<b>OPERATING RECEIPTS:</b>				
Tuition	\$ 30,619	\$	\$	\$ 30,619
Earnings on Investments		61,237		61,237
Food Service	343,514			343,514
Extracurricular Activities	5,787		159,779	165,566
Miscellaneous		9,826		9,826
<b>Total Operating Receipts</b>	<b>379,920</b>	<b>71,063</b>	<b>159,779</b>	<b>610,762</b>
<b>OPERATING DISBURSEMENTS:</b>				
Personal Services - Salaries	348,246			348,246
Employees' Retirement and Insurance	165,931			165,931
Purchased Services	33,337		987	34,324
Supplies and Materials	242,092	3,432	144,937	390,461
Capital Outlay	28,839			28,839
Capital Outlay - Replacement	854			854
Other	102	40,950		41,052
<b>Total Operating Disbursements</b>	<b>819,401</b>	<b>44,382</b>	<b>145,924</b>	<b>1,009,707</b>
Operating Income/(Loss)	(439,481)	26,681	13,855	(398,945)
<b>NONOPERATING RECEIPTS/(DISBURSEMENTS):</b>				
Miscellaneous			2,041	2,041
State Unrestricted Grants-In-Aid	4,553			4,553
State Restricted Grants-In-Aid	17,476			17,476
Federal Unrestricted Grants-In-Aid	344,326			344,326
<b>Total Nonoperating Receipts/(Disbursements)</b>	<b>366,355</b>	<b>0</b>	<b>2,041</b>	<b>368,396</b>
Excess of Receipts Over/(Under) Disbursements Before Interfund Advances and Transfers	(73,126)	26,681	15,896	(30,549)
Transfers-In	20,678	476	1,059	22,213
Transfers-Out	(8,867)		(643)	(9,510)
Net Income/(Loss)	(61,315)	27,157	16,312	(17,846)
Fund Cash Balances, July 1	176,666	1,258,861	670,400	2,105,927
<b>Fund Cash Balances, June 30</b>	<b>\$ 115,351</b>	<b>\$ 1,286,018</b>	<b>\$ 686,712</b>	<b>\$ 2,088,081</b>

*The notes to the financial statements are an integral part of this statement.*

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Governmental</b>			
General	\$ 15,855,245	\$ 15,882,725	\$ 27,480
Special Revenue	2,881,123	2,880,523	(600)
Debt Service	1,257,057	1,257,057	0
Capital Projects	18,817,237	18,817,237	0
<b>Proprietary</b>			
Enterprise	721,453	766,953	45,500
<b>Fiduciary</b>			
Expendable Trust	220,328	220,284	(44)
Nonexpendable Trust	71,509	71,539	30
Agency	162,993	162,879	(114)
<b>Totals (Memorandum Only)</b>	<b><u>\$ 39,986,945</u></b>	<b><u>\$ 40,059,197</u></b>	<b><u>\$ 72,252</u></b>

*The notes to the financial statements are an integral part of this statement.*

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**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH  
EXPENDITURE AUTHORITY  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Fund Types/Funds</u>	<u>Prior Year Carryover Appropriations</u>	<u>Appropriations</u>	<u>Total</u>
<b>Governmental</b>			
General	\$ 100,307	\$ 15,408,346	\$ 15,508,653
Special Revenue	75,985	2,152,935	2,228,920
Debt Service	0	1,230,928	1,230,928
Capital Projects	2,930,367	13,825,490	16,755,857
<b>Proprietary</b>			
Enterprise	320	827,948	828,268
<b>Fiduciary</b>			
Expendable Trust	919	30,156	31,075
Nonexpendable Trust		44,820	44,820
Agency	4,945	142,084	147,029
<b>Totals (Memorandum Only)</b>	<b><u>\$ 3,112,843</u></b>	<b><u>\$ 33,662,707</u></b>	<b><u>\$ 36,775,550</u></b>

*The notes to the financial statements are an integral part of this statement.*

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS COMPARED WITH  
EXPENDITURE AUTHORITY  
ALL BUDGETED FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003**

<u>Disbursements</u>	<u>Encumbrances Outstanding at 6/30/03</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 15,458,596	\$ 48,212	\$ 15,506,808	\$ 1,845
2,124,117	104,853	2,228,970	(50)
1,230,928		1,230,928	0
16,391,426	364,431	16,755,857	0
828,268		828,268	0
29,776	1,299	31,075	0
44,382	438	44,820	0
146,567	462	147,029	0
<u>\$ 36,254,060</u>	<u>\$ 519,695</u>	<u>\$ 36,773,755</u>	<u>\$ 1,795</u>

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**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**1. DESCRIPTION OF THE ENTITY**

The Jackson City School District (the School 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 School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and/or local guidelines. The School District is staffed by 173 certificated employees and 105 non-certificated employees who provide services to 2,714 students.

**Reporting Entity**

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

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

The School District is associated with four organizations, three of which are defined as jointly governed organizations, and one is a public entity risk pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), the Gallia-Jackson-Vinton Joint Vocational School (GJVJVS), Southeastern Ohio Special Education Regional Resource Council (SEO-SERRC) and the Ohio School Boards Association Workers', an insurance purchasing pool. The organizations are presented in Notes 9 and 10, respectively.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District chooses to prepare its financial statements and notes in accordance with the standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis of Accounting (Continued)**

This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Equity in Pooled Cash and Investments**

The School District Treasurer invests all available funds of the School District in interest-bearing checking accounts, STAR Ohio, and certificates of deposit. This cash is pooled for investment purposes to capture the highest rate of return. Income from these investments is distributed according to fund cash balances based on Ohio statutes.

**C. Fund Accounting**

The School District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each type of fund are as follows:

**1. Governmental Fund Types**

**General Fund**

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

**Special Revenue Funds**

The Special Revenue Funds are used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

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



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Fund Accounting (Continued)**

**1. Governmental Fund Types (Continued)**

**Debt Service Fund (Continued)**

According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**Capital Projects Funds**

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

**2. Proprietary Fund Type**

**Enterprise Funds**

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

**3. Fiduciary Fund Types**

**Trust and Agency Funds**

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include Expendable Trust Funds, Non-Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. The Non-Expendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds; the principal of the trust must be preserved intact. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the subsequent July 1 to June 30 fiscal year.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgetary Process (Continued)**

**2. Estimated Resources**

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund.

Prior to June 30, the School District must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2002, unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**4. Encumbrances**

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for the School District are recorded as disbursements. Depreciation is not recorded for these fixed assets.

**F. Accumulated Unpaid Vacation and Sick Leave**

Accumulated unpaid vacation and sick leave are not accrued under the basis of accounting described in Note 2. At June 30, 2003, management estimates that \$87,478 in vacation leave and \$7,113,529 in sick leave has been accumulated by the employees of the School District. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees. It is not practicable to determine the actuarial value of these benefits as of June 30, 2003.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. EQUITY IN POOLED CASH AND INVESTMENTS**

The School District maintains a cash and investments pool which is used by all funds. Each fund type's portion of this pool is displayed on the "Combined Statement of Cash, Investments and Fund Cash Balances" as "Cash Balances by Fund Type."

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by 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 or deposit accounts including passbook accounts.

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

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

- a. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- b. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**3. EQUITY IN POOLED CASH (Continued)**

- c. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- d. Bonds and other obligations of the State of Ohio;
- e. 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;
- f. The State Treasurer's investment pool (STAROhio);
- g. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
- h. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature with five years from the date of purchase unless matched to a specific obligation or debt of the School 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits – At June 30, 2003, the carrying amount of the School District's deposits were \$9,101,666 and the bank balance was \$9,959,658. Of the bank balance, \$100,000 was covered by federal deposit insurance, and \$9,859,658 was collateralized by the financial institution's public entity deposit pool.

Investments- The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**3. EQUITY IN POOLED CASH (Continued)**

	2003
Demand deposits	\$3,054,282
Certificates of deposit	6,047,384
Total deposits	9,101,666
STAROhio	25,962,411
Total investments	25,962,411
Total deposits and investments	\$35,064,077

**4. PROPERTY TAX**

Property taxes are levied and assessed on a calendar year basis while the school district fiscal year runs from July through June. First half tax collections are received by the school 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 school 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 School District prior to June 30.

The School District receives property taxes from Jackson County. The County Auditors periodically advance to the School 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 the tax bills are sent.

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

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**4. PROPERTY TAX (Continued)**

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$166,307,490	80.37 %	\$173,205,260	80.29 %
Public Utility Personal	10,773,720	5.21	13,103,250	6.07
Tangible Personal Property	29,858,068	14.42	29,426,725	13.64
<b>Total</b>	<b>\$206,939,278</b>	<b>100.00 %</b>	<b>\$215,735,235</b>	<b>100.00 %</b>

**5. DEBT OBLIGATIONS**

Debt outstanding at June 30, 2003, consisted of the following:

	Principal Outstanding	Interest Rate
Tax Anticipation Notes	\$3,055,000	4.20%-4.75%
Classroom Facilities Improvement Bonds	\$13,304,058	3.25%-5.50%

The Tax Anticipation Notes were issued for school building improvements and are direct obligations of the taxes levied on all taxable property in the School District.

Classroom Facilities Improvement Bonds are general obligation bonds issued for the purpose of building a new high school, two new elementary schools, and renovating other existing buildings. The bonds were issued with a final maturity during fiscal year 2027. The bond issue included serial and term current interest bonds and capital acquisition bonds.

The annual requirements to amortize debt outstanding as of June 30, 2003, including interest, are as follows:

Year Ending June 30	Tax Anticipation Notes	General Obligation Bonds	Total
2004	\$ 396,950	\$ 773,433	\$ 1,170,383
2005	401,030	895,032	1,296,062
2006	409,480	912,045	1,321,525
2007	416,943	942,670	1,359,613
2008	423,240	956,360	1,379,600
2009 - 2013	1,766,113	4,972,268	6,738,381
2014 - 2018		5,410,512	5,410,512
2019 - 2023		5,927,488	5,927,488
2024 - 2027		6,445,575	6,445,575
<b>Total</b>	<b>\$ 3,813,756</b>	<b>\$ 27,235,383</b>	<b>\$ 31,049,139</b>

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ending June 30, 2003, the School District contracted with Indiana Insurance Company for property insurance and boiler and machinery coverage. The policies include a \$5,000 deductible.

Professional and general liability is protected by the Hartford Insurance Company with a \$1,000,000 single occurrence limit with \$2,000,000 aggregate and a \$2,500 deductible. Vehicles are covered by Indiana Insurance Company and hold a \$500 deductible for collision and a \$500 deductible for comprehensive coverage. Vehicle liability had a \$1,000,000 combined single limit of liability.

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

For fiscal year 2003, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 11). The intent of GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to GRP.

Medical/surgical and dental insurance is offered to employees through United Health Care.

**7. PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**7. PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School 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 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent 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 School District's required contributions for pension obligations to SERS for the years ended June 30, 2003, 2002, and 2001 were \$134,750, \$56,422, and \$110,233, respectively. Fourteen percent has been contributed for 2003, 2002, and 2001.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand alone financial report that may be obtained by writing to the STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 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.



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**7. PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,080,411, \$738,166, and \$770,616, respectively; Fourteen percent has been contributed for 2003, 2002 and 2001.

**8. POST EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2003, the Board allocated employer contribution equal to 1.0 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, the amount to fund health care benefits equaled \$82,572 during the 2003 fiscal year. As of June 30, 2002, eligible benefits recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. The balance in the fund was \$3.011 billion at June 30, 2002.

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

At June 30, 2003, the employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. For the School District the amount to fund health care benefits equaled \$246,009 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777. At June 30, 2002, SERS had net assets available for payment of healthcare benefits of \$335.2 million.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**9. JOINTLY GOVERNED ORGANIZATIONS**

**A. Southeastern Ohio Voluntary Education Cooperative (SEOVEC)**

SEOVEC was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC's governing board is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. To obtain financial information write to the Southeastern Ohio Voluntary Education Cooperative, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

**B. Gallia-Jackson Vinton Joint Vocational School (GJVJVS)**

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. GJVJVS possesses its own budgeting and taxing authority. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

**C. Southeastern Ohio Special Education Regional Resource Council (SEO-SERRC)**

SEO-SERRC provides special education services at a regional level and assists school districts in complying with the mandates of P.L. 101-476 and P.L. 99-457 for educating children with disabilities. The New Lexington City School District has a cooperative agency agreement with the Council. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council.

**10. INSURANCE PURCHASING POOL**

**Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool.

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

**11. STATUTORY RESERVES**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**11. STATUTORY RESERVES (Continued)**

The following information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbook	Capital Acquisition
Set-aside Reserve Balance as of June 30, 2002	\$(1,309,900)	\$(9,011,320)
Current Year Set-aside Requirement	382,891	382,891
Qualifying Offsets		(625,136)
Qualifying Disbursements		
Set-aside Balance Carried Forward to Future Fiscal Years	\$ (927,009)	\$ (9,253,565)
Set-aside Reserve Balance as of June 30, 2003	\$ 0	0

The School District had qualifying disbursements from prior years that reduced the textbook set-aside amount to below zero. State statute allows this extra amount to be used to reduce the set-aside requirement of future years.

**12. ACCOUNTABILITY AND COMPLIANCE**

Expenditures exceeded appropriations in all funds from October 1 through December 10, 2002 when the permanent appropriation resolution was passed.

Appropriations exceeded total estimated resources (estimated receipts plus unencumbered fund balance to date), throughout the year and at June 30, 2003.

Significant negative fund balances were noted throughout the year in the following funds:

- Fund
- 006 Food Service
- 447 DPIA
- 514 EESA/ NDEA
- 516 IDEA Part B
- 572 Title I
- 573 Title VI
- 587 EHA Preschool Grants/ Handicapped
- 599 Miscellaneous Federal Grants

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**13. 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 decision 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 School District is currently unable to determine what effect, if any, this decision will have its future State funding and on its financial operations.

**14. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims could have a material adverse effect on the overall financial position of the School District at June 30, 2003.

**B. Litigation**

There are currently no matters in litigation with the School District as defendant.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**15. CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments for the construction of new school facilities as follows:

**Location: South Elementary**

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2003
Norwood	\$47,000	\$14,414	\$32,586
SOS Electric, Inc.	675,000	407,196	267,804
SEI Site	1,000,684	973,708	26,976
Hamilton	10,414	0	10,414
The Comm. Group, Inc.	420,537	0	420,537
Ampam Commercial Midwest	869,990	743,836	126,154
Louis R. Polster	120,999	0	120,999
Kone	35,311	31,993	3,318
Spieker	262,318	251,614	10,704
Spectrum Control Systems	150,400	0	150,400
Kerkan Roofing, Inc.	341,648	225,082	116,566
AJ Stockmeister	392,988	287,954	105,034
Central Fire	92,353	72,077	20,276
Continental Education Environments	136,047	0	136,047
Farnham Equipment	31,047	0	31,047
School Specialty	36,043	0	36,043
Mournings	110,926	0	110,926
Zimmermans School Equipment	12,998	0	12,998
CDW Govt Inc.	28,678	0	28,678
	<u>\$4,775,381</u>	<u>\$3,007,874</u>	<u>\$1,767,507</u>

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**15. CONTRACTUAL COMMITMENTS (Continued)**

**Location: West Elementary**

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2003
Norwood	\$50,760	\$17,903	\$32,857
SOS Electric, Inc.	669,000	15,764	653,236
Performance	1,593,840	1,444,962	148,878
Ampam Commercial Midwest	869,990	163,697	706,293
Louis R. Polster	120,999	0	120,999
Kone	36,514	1,942	34,572
Spieker	251,125	3,000	248,125
Spectrum Control Systems	155,710	0	155,710
Kerkan Roofing, Inc.	374,168	7,797	366,371
AJ Stockmeister	511,668	122,095	389,573
Central Fire	92,354	11,738	80,616
Hamilton	10,414	0	10,414
	<u>\$4,736,542</u>	<u>\$1,788,898</u>	<u>\$2,947,644</u>

**Location: High School**

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2003
SEI Site	\$3,044,749	\$2,441,061	\$603,688
Gieger Brothers	802,300	264,776	537,524
J & H Reinforcing	9,220,900	2,533,177	6,687,723
Central Fire	271,107	61,638	209,469
SOS Electric, Inc.	1,703,470	226,551	1,476,919
AJ Stockmeister	2,365,356	253,266	2,112,090
Norwood	147,520	53,642	93,878
Spectrum Control Systems	301,945	0	301,945
Action	882,305	20,000	862,305
King	628,000	8,500	619,500
Bushong	236,000	0	236,000
Kone	35,311	1,942	33,369
	<u>\$19,638,963</u>	<u>\$5,864,553</u>	<u>\$13,774,410</u>

**Location: South and West Elementary**

Contractor	Contract Amount	Amount Expended	Balance at 6/30/2003
SEI Site	\$6,098,305	\$2,722,809	\$3,375,496

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$	\$ 59,939	\$	\$ 59,939
School Breakfast Program	10.553	05-PU-02/03	70,406		70,406	
National School Lunch Program	10.555	LL-P4-02/03	<u>273,126</u>		<u>273,126</u>	
Total Nutrition Cluster			<u>343,532</u>	<u>59,939</u>	<u>343,532</u>	<u>59,939</u>
Total United States Department of Agriculture			343,532	59,939	343,532	59,939
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-02/03	846,841		705,874	
Special Education Cluster:						
Special Education Grants to States	84.027	6B-SF-02/03-P	446,451		364,810	
Special Education Preschool Grants	84.173	PG-S1-02/03-P	<u>49,522</u>		<u>49,688</u>	
Total Special Education Cluster			495,973	0	414,498	0
Safe and Drug-Free Schools and Communities State Grants	84.186	DR-S1-02/03	33,780		17,230	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	G2-S3-01	8,000		9,853	
Innovative Education Program Strategies	84.298	C2-S1-02/03	27,515		17,824	
Education Technology State Grants	84.318	TJ-S1-03	16,573		16,573	
School Renovation Grant	84.352A	AT-S3-02	371			
Improving Teacher Quality State Grants	84.367	TR-S1-03	168,782		168,782	
		MS-S1-02	1,963		4,856	
		CR-S1-01/02	<u>78,787</u>		<u>78,211</u>	
Total Improving Teacher Quality State Grants			<u>249,532</u>	<u>0</u>	<u>251,849</u>	<u>0</u>
Total United States Department of Education			1,678,585	0	1,433,701	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	93.778	N/A	<u>76,169</u>	<u>0</u>	<u>76,169</u>	<u>0</u>
Total United States Department of Health and Human Services			<u>76,169</u>	<u>0</u>	<u>76,169</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$ 2,098,286</u></b>	<b><u>\$ 59,939</u></b>	<b><u>\$ 1,853,402</u></b>	<b><u>\$ 59,939</u></b>

*The notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.*

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School 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 Government to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the School District had no significant food commodities in inventory.





## **Auditor of State Betty Montgomery**

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

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Education:

We have audited the financial statements of Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 6, 2004, wherein we noted the School District has not prepared financial statements in accordance with generally accepted accounting principles. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as items 2003-001 through 2003-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated February 6, 2004.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated February 6, 2004.

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

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

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

**Betty Montgomery**  
Auditor of State

February 6, 2004



**Auditor of State  
Betty Montgomery**

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

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Education:

**Compliance**

We have audited the compliance of Jackson City School District, Jackson County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2003. The School District's major federal program is identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Jackson City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of the School District in a separate letter dated February 6, 2004.

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



**Betty Montgomery**  
Auditor of State

February 6, 2004

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under §.510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title 1 CFDA #: 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**FINDING NUMBER 2003-001**

**Noncompliance Citation**

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, which material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**FINDING NUMBER 2003-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used only for the purpose for which such fund has been established. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

During the audit period, the following funds were noted to have significant negative fund balances throughout the year:

Fund	December 2002	February 2003
006 Food Service		(\$35,907)
447 DPIA	(\$841,570)	(\$985,571)
514 EESA/ NDEA	(\$10,126)	
516 IDEA Part B		(\$226,376)
572 Title 1	(\$318,558)	(\$212,462)
573 Title VI	(\$214,703)	(\$249,625)
587 EHA Preschool Grants/ Handicapped		(\$11,021)
599 Miscellaneous Federal Grants	(\$51,989)	(\$55,315)

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**FINDING NUMBER 2003-002 (Continued)**

**Noncompliance Citation (Continued)**

We recommend the School Treasurer review fund balances carefully to ensure that expenses are only covered by monies from that particular fund and that draw down requests are completed when necessary. We also recommend the General Fund advance monies into other funds in order to cover negative fund balances. Refer to Auditor of State Bulletin 97-003 for additional guidance regarding advances. At year-end, the funds listed above did not have negative balances due to reimbursements and draw downs being received.

**FINDING NUMBER 2003-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38 states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1. This does not apply to school district appropriations.

A board of education shall pass its annual appropriation measure by the first day of October. If a school district's annual appropriation measure is delayed (delays permitted by law, such as those noted below), the board may pass a temporary measure for meeting the ordinary expense of the district until it passes an annual appropriation measure.

As discussed in Auditor of State Bulletin 98-012 there are two circumstances when school district certificates/certifications would be issued after October 1:

1. A certificate/certification would be issued after October 1 when the district has borrowed against its spending reserve. This certificate/certification would not be issued until second half personal property taxes are settled.
2. A certificate/certification would be issued after October 1 when the delivery of a tax duplicate is delayed under Ohio Rev. Code §323.17 because a subdivision in the county has placed a levy on the November ballot which, if approved, will go on the current tax list and duplicate.

If a School District is in either of these two situations, passage of the annual appropriation measure should be delayed until the necessary certificates/certifications are received.

The School District passed the temporary appropriation resolution on June 25, 2002, but did not pass the permanent appropriation resolution until December 10, 2002 and neither of the two circumstances described above existed. This caused expenditures to exceed appropriations in all funds from October 1, 2002 until December 10, 2002 when the annual appropriation measure was passed.

We recommend the School District pass the permanent appropriation resolution within the required time frame.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**FINDING NUMBER 2003-004**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As of June 29, 2003 appropriations exceeded total estimated resources, (estimated receipts plus unencumbered fund balance to date), in the following funds:

Fund	Estimated Resources	Appropriations	Variance
Special Revenue:			
432 E.M.I.S.	\$12,000	\$25,890	(\$13,890)
459 Ohio Reads	\$5,799	\$10,079	(\$4,280)
516 Title VI-B	\$94,150	\$428,227	(\$334,077)
572 Title 1	\$607,203	\$665,936	(\$58,733)
573 Title VI ECIA	\$36,732	\$154,537	(\$117,805)
584 Drug Free Schools	\$26,002	\$31,560	(\$5,558)
599 Miscellaneous Federal Grants	\$134,478	\$143,837	(\$9,359)
Debt Service:			
002 Bond Retirement	\$819,706	\$1,175,000	(\$355,294)
Capital Projects:			
010 Classroom Facilities	\$2,353,760	\$6,500,000	(\$4,146,240)

Current year appropriations exceeded total estimated resources, (estimated receipts plus unencumbered fund balance to date), at June 30, 2003 in the following funds:

Fund	Estimated Resources	Appropriations	Variance
459 Ohio Reads	\$66,420	\$67,518	(\$1,098)
587 EHA Preschool Grants	\$49,522	\$50,562	(\$1,040)
006 Food Service	\$770,560	\$780,534	(\$9,974)

This could have resulted in deficit spending.

We recommend the School District file an official certificate of estimated resources, along with their appropriation resolution, with the County Auditor. This will help ensure the School District that appropriations do not exceed estimated resources. We also recommend that, prior to authorizing the original appropriations or approving any amendments, the School District compare the proposed appropriations with the Certificate of Estimate Resources to ensure the appropriations will not exceed the fund's estimated resources. Once appropriations have been adopted, the School District needs to obtain the County Auditor's certification that appropriations do not exceed the estimated resources in any fund.



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

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

**FINDING NUMBER 2003-005**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Also, Ohio Revised Code Section 5705.38 requires passing a permanent appropriation by October 1 as discussed in Finding 2003-003.

The School District passed the Temporary Appropriation Resolution on June 25, 2002, but did not pass the Permanent Appropriation Resolution until December 10, 2002. This caused expenditures to exceed appropriations in all funds from October 1, 2002 until December 10, 2002 when the Permanent Appropriation Resolution was passed.

We recommend the School District refrain from expending money unless it has been appropriated. In addition, we recommend the School District monitors budget vs. actual information to ensure expenditures do not exceed appropriations and that the appropriations within the accounting system agree to what has been approved by the Board of Education.

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

There were no findings related to federal awards.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
FOR THE YEAR ENDED JUNE 30, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2002-01	Ohio Rev. Code Section 5705.38- An annual appropriation measure was not passed until June 26, 2002	No	Not Corrected
2002-02	Ohio Rev. Code Section 5705.39- Appropriations exceeded total estimated revenue at fiscal year end in various funds	No	Not Corrected
2002-03	Ohio Rev. Code Section 5705.10- The District had negative fund balances in various funds at fiscal year end	No	Not Corrected

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 §.315 (c)  
FOR THE YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The School District intends to prepare and file its financial statements in accordance with Generally Accepted Accounting Principals for Fiscal Year 2004.	November 30, 2005	Ernest Strawser, Treasurer
2003-002	The School District intends to prepare timely drawdown requests for grant funds and to utilize advances from the General fund to avoid negative fund balances.	March 1, 2004	Ernest Strawser, Treasurer
2003-003	The School District adopted permanent appropriations for FY04 on June 30, 2003.	Corrected June 30, 2003	Ernest Strawser, Treasurer
2003-004	The School District intends to monitor appropriations vs. estimated resources and obtain certification from the County Auditor that appropriations do not exceed estimated resources.	March 1, 2004	Ernest Strawser, Treasurer
2003-005	The School District adopted permanent appropriations for FY04 on June 30, 2003.	Corrected June 30, 2003	Ernest Strawser, Treasurer

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**Auditor of State  
Betty Montgomery**

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**JACKSON CITY SCHOOL DISTRICT**

**JACKSON 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  
APRIL 29, 2004**