



Mary Taylor, CPA  
Auditor of State



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Center Local School District  
Shelby County  
204 South Linden Street  
Jackson Center, Ohio 45334

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 the Jackson Center Local School District, Shelby County, (the District), as of and for the fiscal years ended June 30, 2007 and 2006, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the 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 follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, as of June 30, 2007 and 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the year ended June 30, 2007, and the General Fund and District Managed Student Activity Fund thereof for the year ended June 30, 2006, in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing 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, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 24, 2008

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED**

The discussion and analysis of the Jackson Center 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, 2007, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$376,167 which represents a 113.14% increase from 2006.
- General cash receipts accounted for \$4,285,572 or 77.24% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,262,590 or 22.76% of total governmental activities cash receipts of \$5,548,162.
- The District had \$5,171,995 in cash disbursements related to governmental activities; \$1,262,590 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,285,572 were adequate to provide for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$4,517,203 in cash receipts and \$4,220,634 in cash disbursements. During fiscal year 2007, the General Fund's fund cash balance increased \$296,569 from \$204,587 to \$501,156.

**Using these Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's cash basis 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. In the case of the District, the general fund is by far the most significant fund, and the only governmental fund reported as a major fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis**

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 cash basis financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's *net assets* and changes in those assets on a cash basis. This change in net assets is important because it tells the reader that, for the District as a whole, the *cash basis 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.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, 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.

The District's Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 9. 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 major governmental fund is the General Fund.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Governmental Funds**

All 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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund financial statements provide a detailed 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 cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The governmental fund statements can be found on pages 15-16 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate Statement of Fiduciary Net Assets on page 18. This cash is excluded from the District's other financial statements because the cash cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-37 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2007 and 2006.

	<b>Net Assets</b>	
	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$708,637	\$332,470
Total Assets	708,637	332,470
<b>Net Assets</b>		
Restricted	203,512	128,573
Unrestricted	505,125	203,897
Total Net Assets	\$708,637	\$332,470

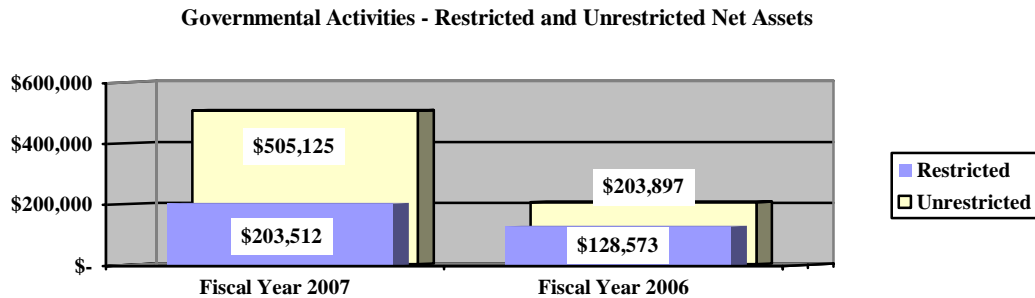
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's total net assets were \$708,637.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

A portion of the District's net assets, \$203,512 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$505,125 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net assets for fiscal year 2007 and 2006.



The table below shows the change in net assets for fiscal year 2007 and 2006:

	<u>Change in Net Cash Assets</u>	
	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<b>Cash Receipts</b>		
<b>Program Cash Receipts:</b>		
Charges for Services and Sales	\$796,534	\$683,415
Operating Grants and Contributions	466,056	352,757
Capital Grants and Contributions		
<b>General Cash Receipts:</b>		
Property Taxes	2,209,243	2,267,385
Grants and Entitlements	2,012,685	1,783,839
Investment Earnings	39,956	23,929
Other	23,688	216,164
<b>Total Cash Receipts</b>	<u><u>\$5,548,162</u></u>	<u><u>\$5,327,489</u></u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

	Change in Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<b>Cash Disbursements</b>		
<b>Program expenses:</b>		
<b>Instruction:</b>		
Regular	\$2,440,695	\$2,419,779
Special	415,806	441,855
Vocational	620	9,565
Other		1,500
<b>Support Services:</b>		
Pupil	199,313	220,433
Instructional Staff	206,299	161,986
Board of Education	10,557	12,683
Administration	282,352	391,469
Fiscal	255,721	260,696
Operations and Maintenance	456,508	448,363
Pupil Transportation	175,476	164,011
Food Service Operations	191,791	191,512
Extracurricular Activities	172,633	185,805
Facilities Acquisition and Construction	22,878	130,935
<b>Debt Service:</b>		
Principal Retirement	143,000	130,000
Interest and Fiscal Charges	198,346	202,788
<b>Total Cash Disbursements</b>	<b>5,171,995</b>	<b>5,373,380</b>
<b>Change in Net Assets</b>	<b>376,167</b>	<b>(45,891)</b>
<b>Net Assets at Beginning of Year</b>	<b>332,470</b>	<b>378,361</b>
<b>Net Assets at end of Year</b>	<b>\$708,637</b>	<b>\$332,470</b>

**Governmental Activities**

Net assets of the District's governmental activities increased \$376,167. Total governmental cash disbursements of \$5,171,995 were offset by program cash receipts of \$1,262,590 and general cash receipts of \$4,285,572. Program cash receipts supported 24.41% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipts sources represent 76.10% of total governmental cash receipts.

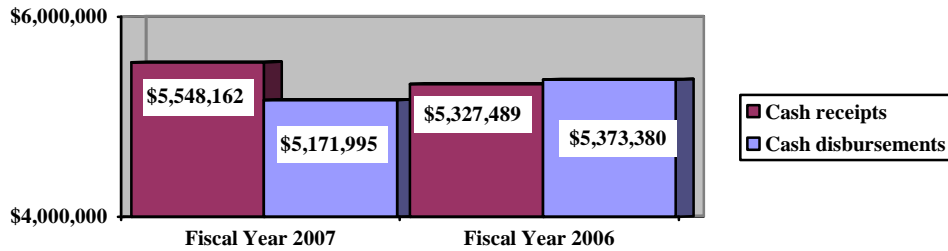
The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$2,857,121 or 55.24% of total governmental cash disbursements for fiscal 2007.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal year 2007 and 2006.

**Governmental Activities - Cash Receipts and Disbursements**



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.

<b>Governmental Activities</b>				
	<b>Total Cost of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>
<b>Program cash disbursements</b>				
<b>Instruction:</b>				
Regular	\$2,440,695	\$1,906,176	\$2,419,779	\$1,889,749
Special	415,806	218,614	441,855	359,537
Vocational	620	(505)	9,565	9,058
Other			1,500	1,500
<b>Support services:</b>				
Pupil	199,313	102,002	220,433	109,159
Instructional staff	206,299	205,269	161,986	158,333
Board of education	10,557	10,557	12,683	10,953
Administration	282,352	282,352	391,469	391,469
Fiscal	255,721	244,721	260,696	249,696
Operations and maintenance	456,508	308,881	448,363	448,138
Pupil transportation	175,476	175,476	164,011	163,618
Food service operations	191,791	(5,164)	191,512	6,720
Extracurricular activities	172,633	96,802	185,805	75,555
Facilities acquisition and construction	22,878	22,878	130,935	130,935
<b>Debt service:</b>				
Principal retirement	143,000	143,000	130,000	130,000
Interest and fiscal charges	198,346	198,346	202,788	202,788
<b>Total cash disbursements</b>	<b>\$5,171,995</b>	<b>\$3,909,405</b>	<b>\$5,373,380</b>	<b>\$4,337,208</b>

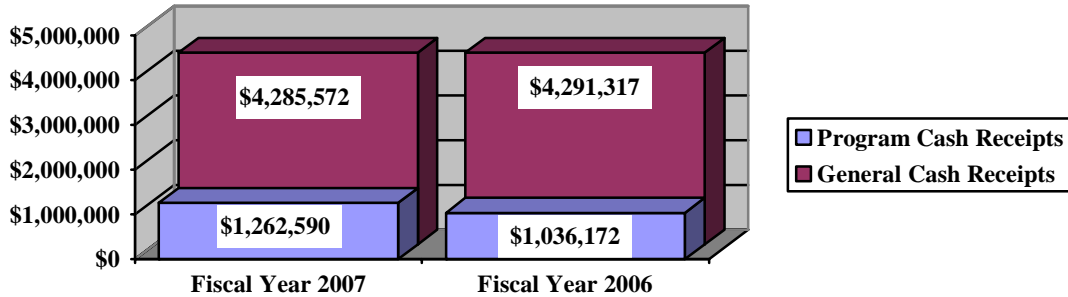
The dependence upon tax and other general cash receipts for governmental activities is apparent, 74.35% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 75.59%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities cash receipts for fiscal year 2007 and 2006.

**Governmental Activities - General and Program Cash Receipts**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$708,637, which is higher than last year's total of \$332,470. The schedule below indicates the fund balance and the total change in fund cash balance as of June 30, 2007 and 2006.

	<u>Fund Balance June 30, 2007</u>	<u>Fund Balance June 30, 2006</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$501,156	\$204,587	\$296,569	144.96 %
Other Governmental	207,481	127,883	79,598	62.24 %
Total	<u>\$708,637</u>	<u>\$332,470</u>	<u>\$376,167</u>	113.14 %

**General Fund**

The District's General Fund balance increased \$296,569. The increase in fund balance can be attributed to several items related to increasing cash receipts and decreased cash disbursements. The table that follows assists in illustrating the cash financial activities of the General Fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

	<b>2007 Amount</b>	<b>2006 Amount</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
<b>Cash Receipts</b>				
Taxes	\$1,860,495	\$1,918,040	(\$57,545)	(3.00) %
Tuition	410,356	419,525	(9,169)	(2.19) %
Earnings on investments	39,956	23,929	16,027	66.98 %
Intergovernmental	2,037,938	1,734,878	303,060	17.47 %
Other revenues	168,458	191,373	(22,915)	(11.97) %
<b>Total</b>	<b>4,517,203</b>	<b>4,287,745</b>	<b>229,458</b>	<b>5.35 %</b>
<b>Cash Disbursements</b>				
Instruction	2,688,113	2,687,353	760	0.03 %
Support services	1,440,974	1,525,751	(84,777)	(5.56) %
Extracurricular activities	88,732	82,628	6,104	7.39 %
Facilities acquisition and construction	2,815	4,250	(1,435)	(33.76) %
<b>Total</b>	<b>\$4,220,634</b>	<b>\$4,299,982</b>	<b>(\$79,348)</b>	<b>(1.85) %</b>

**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 2007, the District amended its General Fund budget several times. For the general fund, original budgeted revenues were \$4,070,000 and final budgeted revenues were \$4,124,755. Actual revenues for fiscal 2007 were \$4,517,203. This represents a \$392,448 increase from final budgeted revenues.

General Fund original appropriations of \$4,288,886 were decreased to \$4,288,885 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$4,258,655, which was \$30,230 less than the final budget appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
UNAUDITED  
(Continued)**

**Debt Administration**

At June 30, 2007, the District had \$4,237,570 in general obligation bonds and \$32,000 in notes payable. Of this total, \$148,000 is due within one year and \$4,121,570 is due within greater than one year. The following table summarizes the bonds outstanding.

<b>Outstanding Debt, at Year End</b>		
	<b>Governmental Activities 2007</b>	<b>Governmental Activities 2006</b>
General obligation bonds	\$4,237,570	\$4,347,222
Permanent improvement anticipation note	32,000	40,000
Total	\$4,269,570	\$4,387,222

At June 30, 2007, the District's overall legal debt margin was \$76,278, and an unvoted debt margin of \$46,759.

See Note 6 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District faces a number of challenges in the future. As the preceding information shows, the District relies heavily on property taxes to fund operations. The long term impact of the elimination of the Personal Property Tax in the latest budget bill will have an adverse effect on the financial health of the District should the District not experience significant residential growth. While in the short term the budget bill included provisions for replacement of lost personal property tax revenue the replacement is only temporary. The amount of the replacement funds for the District is approximately 12.50 mills.

The District successfully passed an additional 7.5 mil, 5 year limited, operating levy on the November 2004 ballot. The impact of this passage was significant as it would allow the District to continue positive operations for the next five years as long as the assumptions of the latest Five Year Forecast remained reasonably accurate. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future. The District does not currently have a District income tax but will need to seriously consider that option the next time operating funds are needed.

Another equally challenging situation is the District's enrollment. The District's enrollment which had seen declines in recent years stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 20 students to grow to 528 students. This student growth coupled with district cost savings measures enabled the district to recognize a positive cash flow for fiscal year 2007. A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing development in the village to help the school population. Due to this endeavor a new housing development has been started with 5 new houses having been constructed at the time of this report. The group is very early in its endeavor so the long term results are yet to be seen. The District has recently experienced an increase of students leaving via Open Enrollment and is striving to enhance the academic environment in order to reduce the number of students Open Enrolling elsewhere. This effort is also an attempt to encourage additional open enrollment students to choose Jackson Center.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
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(Continued)**

The District is not anticipating a significant growth in State revenue. The rational has two components. First, the uncertainty of the entire State of Ohio's budget due to the estimated revenue to be generated from the Commercial Activities Tax (CAT) does not exceed the revenue lost from the tax reductions enacted in House Bill 66. Second, the District has a significant industrial base in relationship to its size with a number of tax abatements in place. If the enrollment does not show growth in the future and as the abatements begin to expire the increased property valuation will reduce the state basic aid by the 23 mil charge-off amount. The elimination of the personal property tax replacement funds will further push the funding burden onto the shoulders of the District's residents.

In conclusion, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 Maureen Scott, Treasurer, Jackson Center Local District, 204 S. Linden Street, Jackson Center, Ohio 45334.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2007**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$708,637
Total Assets	708,637
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	69,356
Debt Service	65,297
Locally Funded Programs	7,009
State Funded Programs	15,145
Federally Funded Programs	11,748
District Managed Student Activities	31,339
Other Purposes	3,618
Unrestricted	505,125
Total Net Assets	\$708,637

*See accompanying notes to the basic financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,440,695	\$431,187	\$103,332	(\$1,906,176)
Special	415,806		197,192	(218,614)
Vocational	620		1,125	505
<b>Support Services:</b>				
Pupil	199,313		97,311	(102,002)
Instructional Staff	206,299		1,030	(205,269)
Board of Education	10,557			(10,557)
Administration	282,352			(282,352)
Fiscal	255,721		11,000	(244,721)
Operations and Maintenance	456,508	147,627		(308,881)
Pupil Transportation	175,476			(175,476)
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	191,791	141,889	55,066	5,164
Extracurricular Activities	172,633	75,831		(96,802)
Facilities Acquisition and Construction	22,878			(22,878)
<b>Debt Service:</b>				
Principal Retirement	143,000			(143,000)
Interest and Fiscal Charges	198,346			(198,346)
<b>Total Governmental Activities</b>	<u>\$5,171,995</u>	<u>\$796,534</u>	<u>\$466,056</u>	<u>(3,909,405)</u>
		<b>General Cash Receipts:</b>		
		Property Taxes Levied for:		
			General Purposes	1,860,495
			Debt Service	296,935
			Capital Projects	51,813
			Grants and Entitlements not Restricted to Specific Programs	2,012,685
			Investment Earnings	39,956
			Miscellaneous	23,688
			<b>Total General Cash Receipts</b>	<u>4,285,572</u>
			Change in Net Assets	376,167
			Net Assets at Beginning of Year	<u>332,470</u>
			<b>Net Assets at End of Year</b>	<u>\$708,637</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$501,156	\$207,481	\$708,637
Total Assets	<u>501,156</u>	<u>207,481</u>	<u>708,637</u>
<b>Fund Balances:</b>			
Reserved for Encumbrances	38,021	7,908	45,929
Reserved for Debt Service		65,297	65,297
Unreserved:			
Unreserved, Undesignated, Reported in:			
General Fund	463,135		463,135
Special Revenue Funds		64,920	64,920
Capital Projects Funds		69,356	69,356
Total Fund Balances	<u>\$501,156</u>	<u>\$207,481</u>	<u>\$708,637</u>

*See accompanying notes to the basic financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>			
<b>From Local Sources:</b>			
Taxes	\$1,860,495	\$348,748	\$2,209,243
Tuition	410,356		410,356
Charges for Services		141,889	141,889
Earnings on Investments	39,956		39,956
Extracurricular	1,500	75,831	77,331
Classroom Materials and Fees	19,331		19,331
Other	147,627	23,688	171,315
Intergovernmental	2,037,938	440,803	2,478,741
Total Cash Receipts	<u>4,517,203</u>	<u>1,030,959</u>	<u>5,548,162</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	2,354,955	85,740	2,440,695
Special	332,676	83,130	415,806
Vocational	482	138	620
<b>Support Services:</b>			
Pupil	99,850	99,463	199,313
Instructional Staff	205,299	1,000	206,299
Board of education	8,257	2,300	10,557
Administration	282,003	349	282,352
Fiscal	237,533	18,188	255,721
Operations and Maintenance	452,310	4,198	456,508
Pupil Transportation	155,722	19,754	175,476
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations		191,791	191,791
Extracurricular Activities	88,732	83,901	172,633
Facilities Acquisition and Construction	2,815	20,063	22,878
<b>Debt Service:</b>			
Principal Retirement		143,000	143,000
Interest and Fiscal Charges		198,346	198,346
Total Cash Disbursements	<u>4,220,634</u>	<u>951,361</u>	<u>5,171,995</u>
Cash Receipts Over Cash Disbursements	296,569	79,598	376,167
<b>Fund Balances at Beginning of Year</b>	<u>204,587</u>	<u>127,883</u>	<u>332,470</u>
<b>Fund Balances at End of Year</b>	<u><u>\$501,156</u></u>	<u><u>\$207,481</u></u>	<u><u>\$708,637</u></u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
<b>From Local Sources:</b>				
Taxes	\$1,676,306	\$1,783,691	\$1,860,495	\$76,804
Tuition	369,731	268,000	410,356	142,356
Earnings on Investments	36,000	30,000	39,956	9,956
Extracurricular	1,352		1,500	1,500
Classroom Materials and Fees	17,417	16,900	19,331	2,431
Other	133,012	146,500	147,627	1,127
Intergovernmental	1,836,182	1,879,664	2,037,938	158,274
Total Receipts	<u>4,070,000</u>	<u>4,124,755</u>	<u>4,517,203</u>	<u>392,448</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,387,638	2,435,781	2,370,809	64,972
Special	335,554	300,380	333,189	(32,809)
Vocational	485		482	(482)
<b>Support Services:</b>				
Pupil	101,591	80,039	100,875	(20,836)
Instructional Staff	207,699	201,207	206,235	(5,028)
Board of Education	8,955	8,722	8,892	(170)
Administration	286,008	293,390	283,992	9,398
Fiscal	243,059	232,454	241,346	(8,892)
Operations and Maintenance	467,270	482,197	463,976	18,221
Pupil Transportation	158,187	162,583	157,072	5,511
Extracurricular Activities	89,363	92,132	88,732	3,400
Facilities Acquisition and Construction	3,077		3,055	(3,055)
Total Disbursements	<u>4,288,886</u>	<u>4,288,885</u>	<u>4,258,655</u>	<u>30,230</u>
Excess of Receipts Over (Under) Disbursements	(218,886)	(164,130)	258,548	422,678
Fund Balance at Beginning of Year	196,154	196,154	196,154	
Prior Year Encumbrances Appropriated	8,433	8,433	8,433	
<b>Fund Balance at End of Year</b>	<u><u>(\$14,299)</u></u>	<u><u>\$40,457</u></u>	<u><u>\$463,135</u></u>	<u><u>\$422,678</u></u>

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2007

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,024
Total Assets	<u>13,024</u>
<b>Net Assets:</b>	
Held for Students	13,024
Total Net Assets	<u>\$13,024</u>

*See accompanying notes to the basic financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**1. DESCRIPTION OF THE DISTRICT**

The Jackson Center 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 operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 27 non-certificated employees, 40 certificated full-time teaching personnel and 3 administrative employees to provide services to 528 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The District is the 594<sup>th</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations 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, food services, 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 organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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 CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization (WOCO)** - WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$12,211 to WOCO during fiscal year 2007. Financial information is available from Louis Ivey, who serves as Director at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council (SOEPC)** - The SOEPC is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association (SOITA)** - The SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members within the state assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the state assigned SOITA service area.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instruction Technology Association, Steve Strouse, Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Margaret Grimm, Treasurer, at the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Wapakoneta, Ohio 45895.

**Shelby County Local Professional Development Committee (Committee)** - The District is a participant in the Committee which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County.

The Committee is governed by a twelve member board made of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**2. Insurance Purchasing Pools**

**Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan** - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The GRP was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to The Sheakley Group of Companies to cover the costs of administering the program.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**Shelby County Schools Consortium** - The Shelby County Schools Consortium (the Consortium) is an insurance purchasing pool among several local school districts and the Shelby County Educational Service Center. This purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**Southwestern Ohio Educational Council Property, Fleet, and Liability Program** – The District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL).

The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director at 1831 Harshman Road, Dayton, Ohio 45424.

**B. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. 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. The District classifies each fund as governmental or fiduciary.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following is the District's major governmental fund:

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**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.

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; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's Agency Fund accounts for student activities.

**D. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

- 1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or receipts or other non exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

- 2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at fund object level for the General Fund, Bond Retirement Debt Service Fund, Permanent Improvement Capital Project Fund, and Building Capital Project Fund and at the fund level for all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered that entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 2007, investments were limited to repurchase agreements. Non-participating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$39,956, which includes \$13,627 assigned from other 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**J. Fund Balance Reserves**

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances and debt service.

**K. Net Assets/Restricted Assets**

Net assets are reported as restricted when there are enabling limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Inventory and Prepaid Items**

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

**M. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

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

**O. Receipts and Disbursements**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services, and operating grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**P. 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. Neither type of transaction occurred during fiscal year 2007.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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 moneys 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to 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 and interest by the United States;

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$2,150 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."

**B. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$82,165. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$31,431 of the District's bank balance of \$131,431 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or be a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**C. Investments**

As of June 30, 2007, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase Agreement	\$637,346	\$637,346

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$637,346	100.00%



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**D. Reconciliation of Cash to the Statement of Net Assets**

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2007:

<b>Cash per footnote</b>	
Carrying amount of deposits	\$ 82,165
Investments	637,346
Cash on hand	2,150
Total	\$721,661
<b>Cash per Statement of Net Assets</b>	
Governmental activities	\$708,637
Agency funds	13,024
Total	\$721,661

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

<b>Net Change In Fund Balance</b>	
Cash Basis	\$296,569
Adjustment of Encumbrances	(38,021)
Budget Basis	\$258,548

**5. 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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**5. PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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 Shelby, Auglaize, and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	<b>2006 First Half Collections</b>		<b>2007 Second Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$42,089,280	77.26	\$44,720,210	82.74
Public utility personal	2,636,690	4.84	2,620,330	4.85
Tangible personal property	9,753,778	17.90	6,706,855	12.41
<b>Total</b>	<b>\$54,479,748</b>	<b>100.00</b>	<b>\$54,047,395</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation	53.20		53.20	

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**6. LONG-TERM OBLIGATIONS**

A. During the fiscal year 2007, the following changes occurred in the District's long-term obligations:

	<b>Balance Outstanding June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance Outstanding June 30, 2007</b>	<b>Amounts Due in One Year</b>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>School improvement bonds:</b>					
Serial bonds	\$895,000		(\$135,000)	\$760,000	\$140,000
Term bonds	3,340,000			3,340,000	
Capital appreciation bonds	40,000			40,000	
Accretion on capital bonds	72,222	\$25,348		97,570	
<b>Total bonds payable</b>	<b>4,347,222</b>	<b>25,348</b>	<b>(135,000)</b>	<b>4,237,570</b>	<b>140,000</b>
Permanent improvement anticipation notes	40,000		(8,000)	32,000	8,000
<b>Total bonds payable</b>	<b>\$4,387,222</b>	<b>\$25,348</b>	<b>(\$143,000)</b>	<b>\$4,269,570</b>	<b>\$148,000</b>

**Jackson Center Local School Improvement Bonds (2001)** - During 2001, the District issued \$4,779,997 in voted general obligation bonds for the purpose of constructing improvements and additions to existing school buildings and providing furnishings, equipment, and site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,400,000, \$3,340,000 and \$40,000. The bonds will be retired from the Debt Service fund, with a portion of the proceeds of a 5.5 mill voted property tax levy.

**Permanent Improvement Anticipation Notes** - During 2006, the District signed a \$40,000 note for the purchase of adjacent residential property. The note was issued February 1, 2006 and carries an interest rate of 3.74%. The note will mature on December 1, 2010 and will be retired from the Debt Service fund.

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2007, are as follows:

<b>Year Ended</b>	<b>General Obligation Term/Serial Bonds</b>			<b>General Obligation Capital Appreciation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$140,000	\$193,463	\$333,463			
2009	145,000	188,117	333,117			
2010	150,000	182,326	332,326			
2011	160,000	176,046	336,046			
2012	165,000	169,301	334,301			
2013 - 2017	350,000	812,272	1,162,272	\$40,000	\$470,000	\$510,000
2018 - 2022	1,045,000	620,197	1,665,197			
2023 - 2027	1,320,000	327,500	1,647,500			
2028 - 2029	625,000	31,625	656,625			
<b>Total</b>	<b>\$4,100,000</b>	<b>\$2,700,847</b>	<b>\$6,800,847</b>	<b>\$40,000</b>	<b>\$470,000</b>	<b>\$510,000</b>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(Continued)**

**6. LONG-TERM OBLIGATIONS (Continued)**

<b>Permanent Improvement Anticipation Notes</b>			
<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2008	\$8,000	\$1,047	\$9,047
2009	8,000	748	8,748
2010	8,000	449	8,449
2011	8,000	150	8,150
Total	\$32,000	\$2,394	\$34,394

**1. Term Bonds**

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years 2015 through 2019 (with the balance of \$220,000 to be paid at stated maturity on December 1, 2020) and in the respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2015	\$170,000
2016	180,000
2017	190,000
2018	200,000
2019	205,000

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years 2021 through 2027 (with the balance of \$320,000 to be paid at stated maturity on December 1, 2028) and in the respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2021	\$ 230,000
2022	240,000
2023	250,000
2024	265,000
2025	275,000
2026	290,000
2027	305,000

**2. Serial Bonds**

The serial bonds maturing on December 1, 2011, and thereafter, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2011, at a redemption price equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**6. LONG-TERM OBLIGATIONS (Continued)**

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2011 through November 20, 2012	101%
December 1, 2012 and thereafter	100%

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2007 is \$137,570.

**B. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$76,278 (including available funds of \$65,297) and an unvoted debt margin of \$46,759.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The 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 fiscal year 2007, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A.) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Selective Insurance Company	\$1,000,000	\$1,000
General Liability	Selective Insurance Company	1,000,000/3,000,000	
Liability, fleet & property	Selective Insurance Company		
Each occurrence		1,000,000	
Aggregate		3,000,000	
Excess property:	Travelers Indemnity Company	300,000,000	
Umbrella and Liability	ACE Westchester	5,000,000	
Educator's Legal Liability	National Union Fire Insurance Co.	1,000,000	5,000
Boiler and machinery	Federal Insurance Company	50,000,000	2,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's 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 Cooperative 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 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.

**C. Medical, Dental and Life Insurance Benefits**

For fiscal year 2007, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A.). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

**8. PENSION PLANS**

**A. School Employees Retirement System**

The 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 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$60,406, \$67,488, and \$62,745; 48.28 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$31,244 represents the unpaid pension contribution for fiscal year 2007.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. PENSION PLANS (Continued)**

**B. State Teachers Retirement System of Ohio**

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$273,041, \$279,900 and \$278,547; 83.75 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$44,375 represents the unpaid pension contribution for fiscal year 2007.

**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, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. POSTEMPLOYMENT BENEFITS**

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$21,003 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS had 122,934 eligible benefit recipients.

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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$27,305 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.



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**10. 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.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**11. STATUTORY RESERVES**

The District is required by state law to set-aside certain General Fund cash receipt 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, 2007, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside cash balance as of June 30, 2006	(\$11,562)	(\$4,613,884)
Current year set-aside requirement	77,368	77,368
Qualifying disbursements	(77,176)	
Total	(\$11,370)	(\$4,536,516)
Cash balance carried forward to FY 2008	(\$11,370)	(\$4,536,516)

The District did not have qualifying disbursements during the year that met the set aside requirement for textbooks however; the District had qualifying disbursements in previous years that had reduced the balance below zero. Expenditures in excess of current year set aside requirements are allowed to be carried forward to offset future set aside requirements. For capital acquisitions, the negative set aside balance is the result of capital disbursements from the 2001 bond proceeds which are allowed to be carried forward to reduce future set aside requirements.

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED**

The discussion and analysis of the Jackson Center 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, 2006, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net cash assets of governmental activities decreased \$45,891 which represents a 12.1% decrease from 2005.
- General cash receipts accounted for \$4,291,317 or 80.55% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$1,036,172 or 19.45% of total governmental activities cash receipts of \$5,327,489.
- The District had \$5,373,380 in cash disbursements related to governmental activities; \$1,036,172 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,291,317 were not adequate to provide for these programs.
- The District's major governmental funds are the General Fund, District Managed Student Activity Fund, and Permanent Improvement Fund. The General Fund had \$4,288,504 in cash receipts and other financing sources and \$4,301,482 in cash disbursements and other financing uses. During fiscal year 2006, the General Fund's fund cash balance decreased \$12,978 from \$217,565 to \$204,587.
- The District Managed Student Activity Fund had \$75,171 in cash receipts and \$68,169 in cash disbursements. During fiscal year 2006, the District Managed Student Activity Fund's fund balance increased \$7,002 from \$30,585 to \$37,587.
- The Permanent Improvement Fund had \$57,261 in cash receipts and \$87,672 in cash disbursements. During fiscal year 2006, the Permanent Improvement Fund's fund balance decreased \$30,411 from \$68,195 to \$37,784.

**Using these Cash Basis Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's cash basis 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. In the case of the District, the general fund, permanent improvement fund, and the district managed student activity fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis**

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 cash basis financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's *net cash assets* and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the *cash basis 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.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis, 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.

The District's Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis can be found on pages 49-50 of this report.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

The analysis of the District's major governmental funds begins on page 45. 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 major governmental funds are the General Fund, District Managed Student Activity Fund, and Permanent Improvement Fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Governmental Funds**

All 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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund financial statements provide a detailed 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 cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 51-52 of this report.

**Reporting the District's Fiduciary Responsibilities**

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate Statement of Fiduciary Net Assets on page 55. This cash is excluded from the District's other financial statements because the cash cannot be utilized by the District to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 57-75 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$332,470	\$378,361
Total Assets	<u>332,470</u>	<u>378,361</u>
<b>Net Assets</b>		
Restricted	128,573	154,837
Unrestricted	<u>203,897</u>	<u>223,524</u>
Total Net Assets	<u><u>\$332,470</u></u>	<u><u>\$378,361</u></u>

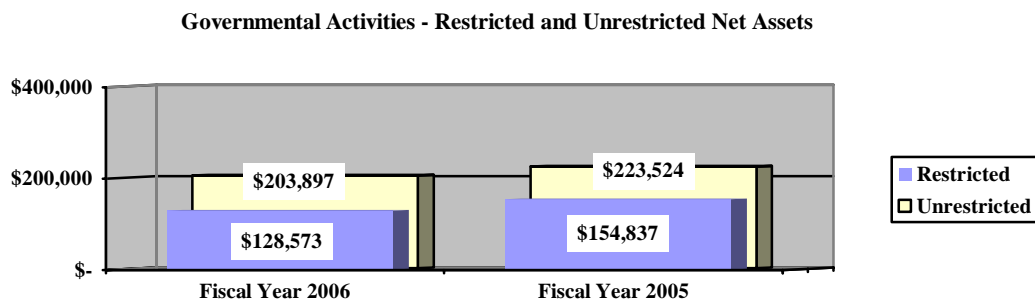
**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's total net assets were \$332,470.

A portion of the District's net assets, \$128,573 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$203,897 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net assets for fiscal year 2006 and 2005.



The table below shows the change in net assets for fiscal year 2006 and 2005

	<u>Change in Net Cash Assets</u>	
	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b>Cash Receipts</b>		
<b>Program Cash Receipts:</b>		
Charges for Services and Sales	\$683,415	\$607,958
Operating Grants and Contributions	352,757	357,692
Capital Grants and Contributions		4,830
<b>General Cash Receipts:</b>		
Property Taxes	2,267,385	2,129,820
Grants and Entitlements	1,783,839	1,675,256
Investment Earnings	23,929	17,510
Other	216,164	142,071
<b>Total Cash Receipts</b>	<u><u>\$5,327,489</u></u>	<u><u>\$4,935,137</u></u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

	Change in Net Assets	
	Governmental Activities 2006	Governmental Activities 2005
<b>Cash Disbursements</b>		
<b>Program Expenses:</b>		
<b>Instruction:</b>		
Regular	\$2,419,779	\$2,346,125
Special	441,855	450,621
Vocational	9,565	61,077
Other	1,500	
<b>Support Services:</b>		
Pupil	220,433	207,013
Instructional Staff	161,986	163,716
Board of Education	12,683	13,187
Administration	391,469	382,824
Fiscal	260,696	245,621
Operations and Maintenance	448,363	512,125
Pupil Transportation	164,011	195,097
Central		7,920
Food Service Operations	191,512	198,754
Extracurricular Activities	185,805	177,877
Facilities Acquisition and Construction	130,935	261,662
<b>Debt Service:</b>		
Principal Retirement	130,000	130,000
Interest and Fiscal Charges	202,788	206,915
<b>Total Cash Disbursements</b>	<b>5,373,380</b>	<b>5,560,534</b>
<b>Change in Net Assets</b>	<b>-45,891</b>	<b>-625,397</b>
<b>Net Assets at Beginning of Year</b>	<b>378,361</b>	<b>1,003,758</b>
<b>Net Cash Assets at End of Year</b>	<b>\$332,470</b>	<b>\$378,361</b>

**Governmental Activities**

Net cash assets of the District's governmental activities decreased \$45,891. Total governmental cash disbursements of \$5,373,380 were offset by program cash receipts of \$1,036,172 and general cash receipts of \$4,291,317. Program cash receipts supported 19.28% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipts sources represent 76.04% of total governmental cash receipts.

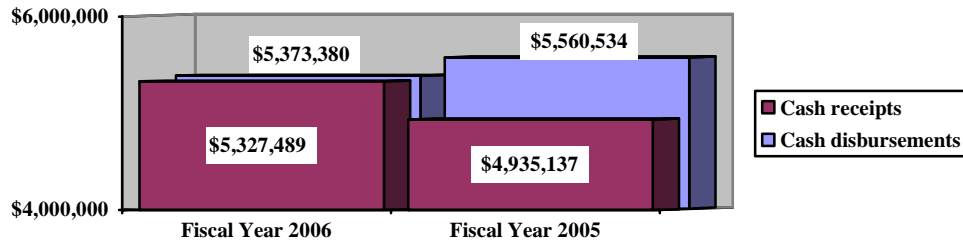
The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$2,872,699 or 53.46% of total governmental cash disbursements for fiscal 2006.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal year 2006 and 2005.

**Governmental Activities - Cash Receipts and Disbursements**



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.

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
<b>Program Cash Disbursements</b>				
<b>Instruction:</b>				
Regular	\$2,419,779	\$1,889,749	\$2,346,125	\$1,854,788
Special	441,855	359,537	450,621	354,588
Vocational	9,565	9,058	61,077	59,909
Other	1,500	1,500		
<b>Support Services:</b>				
Pupil	220,433	109,159	207,013	130,074
Instructional Staff	161,986	158,333	163,716	159,159
Board of Education	12,683	10,953	13,187	10,355
Administration	391,469	391,469	382,824	382,174
Fiscal	260,696	249,696	245,621	234,699
Operations and Maintenance	448,363	448,138	512,125	512,125
Pupil Transportation	164,011	163,618	195,097	195,097
Central			7,920	7,267
Food Service Operations	191,512	6,720	198,754	33,558
Extracurricular Activities	185,805	75,555	177,877	87,968
Facilities Acquisition and Construction	130,935	130,935	261,662	257,925
<b>Debt Service:</b>				
Principal Retirement	130,000	130,000	130,000	119,754
Interest and Fiscal Charges	202,788	202,788	206,915	190,614
<b>Total Cash Disbursements</b>	<b>\$5,373,380</b>	<b>\$4,337,208</b>	<b>\$5,560,534</b>	<b>\$4,590,054</b>



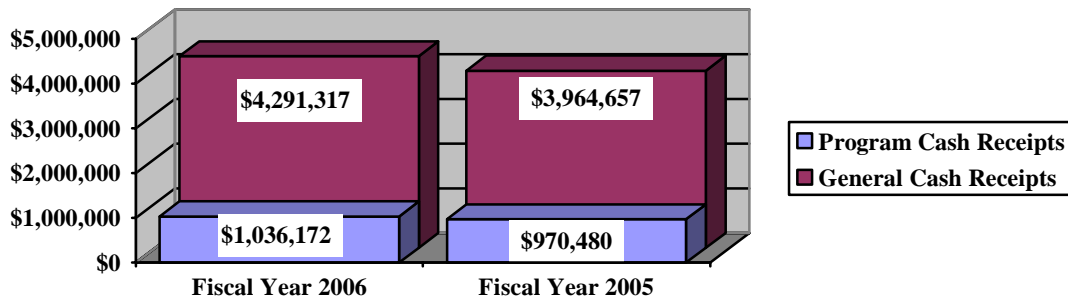
**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

The dependence upon tax and other general cash receipts for governmental activities is apparent, 78.66% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 80.72%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities cash receipts for fiscal year 2006 and 2005.

**Governmental Activities - General and Program Cash Receipts**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$332,470, which is lower than last year's total of \$378,361. The schedule below indicates the fund cash balance and the total change in fund balance as of June 30, 2006 and 2005.

	<b>Fund Balance June 30, 2006</b>	<b>Fund Balance June 30, 2005</b>	<b>Increase (Decrease)</b>	<b>Percentage Change</b>
General	\$204,587	\$217,565	(\$12,978)	(5.97) %
Dist. Man. St. Activity	37,587	30,585	7,002	22.89 %
Permanent Imp.	37,784	68,195	(30,411)	(44.59) %
Other Governmental	52,512	62,016	(9,504)	(15.33) %
<b>Total</b>	<b>\$332,470</b>	<b>\$378,361</b>	<b>(\$45,891)</b>	<b>(12.13) %</b>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**General Fund**

The General Fund, the District's largest major fund, had cash receipts of \$4,288,504 in 2006. The cash disbursements and other financing uses of the general fund, totaled \$4,301,482 in 2006. The General Fund's balance decreased \$12,978 from 2005 to 2006.

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b>Cash Receipts</b>				
Taxes	\$1,918,040	\$1,775,146	\$142,894	8.05 %
Tuition	419,525	376,646	42,879	11.38 %
Earnings on Investments	23,929	17,510	6,419	36.66 %
Intergovernmental	1,734,878	1,675,256	59,622	3.56 %
Other Revenues	191,373	158,132	33,241	21.02 %
Total	<u>4,287,745</u>	<u>4,002,690</u>	<u>285,055</u>	7.12 %
<b>Cash Disbursements</b>				
Instruction	2,687,353	2,654,087	33,266	1.25 %
Support Services	1,525,751	1,610,192	(84,441)	(5.24) %
Extracurricular Activities	82,628	87,703	(5,075)	(5.79) %
Facilities Acquisition and Construction	4,250	25,651	(21,401)	(83.43) %
Total	<u>\$4,299,982</u>	<u>\$4,377,633</u>	<u>(\$77,651)</u>	(1.77) %

**District Managed Student Activity Fund**

The District Managed Student Activity Fund had \$75,171 in cash receipts and \$68,169 in cash disbursements. During fiscal year 2006, the District Managed Student Activity Fund's fund balance increased \$7,002 from \$30,585 to \$37,587.

**Permanent Improvement Fund**

The Permanent Improvement Fund had \$57,261 in cash receipts and \$87,672 in cash disbursements. During fiscal year 2006, the Permanent Improvement Fund's fund balance decreased \$30,411 from \$68,195 to \$37,784.

**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 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$4,215,169 and final budgeted revenues and other financing sources were \$4,316,021. Actual revenues and other financing sources for fiscal 2006 was \$4,288,504. This represents a \$27,517 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$4,361,549 were increased to \$4,342,550 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$4,309,915, which was \$32,635 less than the final budget appropriations.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

**Debt Administration**

At June 30, 2006, the District had \$4,347,222 in general obligation bonds and \$40,000 in permanent improvement tax anticipation notes. Of this total, \$143,000 is due within one year and \$4,244,222 is due within greater than one year. The following table summarizes the bonds outstanding.

<b>Outstanding Debt, at Year End</b>		
	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
General obligation bonds	\$4,347,222	\$4,456,545
Permanent improvement anticipation note	40,000	
Total	<u>\$4,387,222</u>	<u>\$4,456,545</u>

At June 30, 2006, the District's overall legal debt margin was \$657,207, and an unvoted debt margin of \$54,480.

See Note 7 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District faces a number of challenges in the future. As the preceding information shows, the District relies heavily on property taxes to fund operations. The long term impact of the elimination of the Personal Property Tax in the latest budget bill will have an adverse effect on the financial health of the District should the District not experience significant residential growth. While in the short term the budget bill included provisions for replacement of lost personal property tax revenue the replacement is only temporary. The amount of the replacement funds for the District is approximately 12.50 mills.

The District successfully passed an additional 7.5 mil, 5 year limited, operating levy on the November 2004 ballot. The impact of this passage was significant as it would allow the District to continue positive operations for the next five years as long as the assumptions of the latest Five Year Forecast remained reasonably accurate. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future. The District does not currently have a District income tax but will need to seriously consider that option the next time operating funds are needed.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
UNAUDITED  
(Continued)**

Another equally challenging situation is the District's enrollment. The District's enrollment which has seen declines in the past 2 - 3 years had stabilized in the current school year at approximately 508 students. The District hopes to experience marginal growth this year as the incoming kindergarten numbers appear to be larger than the 2006 graduating class. One potential challenge for the District is that there is very little new housing in the district and the overall age of the District is increasing. Due to this factor the District relies on Open Enrollment students to help fund the operations of the District. A local community group has taken the initiative to actively encourage new housing development in the village to help the school population. The group is very early in its endeavor so the results are yet to be seen. The District has recently experienced an increase of students leaving via Open Enrollment and is striving to enhance the academic environment in order to reduce the number of students Open Enrolling elsewhere. This effort is also an attempt to encourage additional open enrollment students to choose Jackson Center.

The District is not anticipating a significant growth in State revenue. The rational has two components. First, the uncertainty of the entire State of Ohio's budget due to the estimated revenue to be generated from the Commercial Activities Tax (CAT) does not exceed the revenue lost from the tax reductions enacted in House Bill 66. Second, the District has a significant industrial base in relationship to its size with a number of tax abatements in place. If the enrollment does not show growth in the future and as the abatements begin to expire the increased property valuation will reduce the state basic aid by the 23 mil charge-off amount. The elimination of the personal property tax replacement funds will further push the funding burden onto the shoulders of the District's residents.

In conclusion, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 Maureen Scott, Treasurer, Jackson Center Local District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$332,470
Total Assets	332,470
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	38,449
Debt Service	29,030
Locally Funded Programs	1,548
State Funded Programs	9,110
Federally Funded Programs	9,548
District Managed Student Activities	37,587
Other Purposes	3,301
Unrestricted	203,897
Total Net Assets	\$332,470

*See accompanying notes to the basic financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>		<u>Changes in Net Cash Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$2,419,779	\$435,268	\$94,762	(\$1,889,749)
Special	441,855		82,318	(359,537)
Vocational	9,565		507	(9,058)
Other	1,500			(1,500)
<b>Support Services:</b>				
Pupil	220,433		111,274	(109,159)
Instructional Staff	161,986		3,653	(158,333)
Board of education	12,683		1,730	(10,953)
Administration	391,469			(391,469)
Fiscal	260,696		11,000	(249,696)
Operations and Maintenance	448,363	225		(448,138)
Pupil Transportation	164,011		393	(163,618)
Food Service Operations	191,512	138,982	45,810	(6,720)
Extracurricular Activities	185,805	108,940	1,310	(75,555)
Facilities Acquisition and Construction	130,935			(130,935)
<b>Debt Service:</b>				
Principal Retirement	130,000			(130,000)
Interest and Fiscal Charges	202,788			(202,788)
<b>Total Governmental Activities</b>	<u><u>\$5,373,380</u></u>	<u><u>\$683,415</u></u>	<u><u>\$352,757</u></u>	<u><u>(4,337,208)</u></u>
<b>General Cash Receipts:</b>				
<b>Property Taxes Levied for:</b>				
				1,918,040
				297,190
				52,155
				1,783,839
				23,929
				176,164
				<u>40,000</u>
				<u>4,291,317</u>
				(45,891)
				<u>378,361</u>
				<u><u>\$332,470</u></u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>District Managed Student Activity</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$204,587	\$37,587	\$37,784	\$52,512	\$332,470
Total Assets	<u>204,587</u>	<u>37,587</u>	<u>37,784</u>	<u>52,512</u>	<u>332,470</u>
<b>Fund Balances:</b>					
Reserved for Encumbrances	8,433	4,247	2,151	4,399	19,230
Reserved for Debt Service				29,030	29,030
<b>Unreserved:</b>					
<b>Unreserved, Undesignated, Reported in:</b>					
General Fund	196,154				196,154
Special Revenue Funds		33,340		18,418	51,758
Capital Projects Funds			35,633	665	36,298
Total Fund Balances	<u>\$204,587</u>	<u>\$37,587</u>	<u>\$37,784</u>	<u>\$52,512</u>	<u>\$332,470</u>

*See accompanying notes to the basic financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES  
CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>District Managed Student Activity</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>					
<b>From Local Sources:</b>					
Taxes	\$1,918,040		\$52,155	\$297,190	\$2,267,385
Tuition	419,525				419,525
Charges for Services				138,982	138,982
Earnings on Investments	23,929				23,929
Extracurricular		\$73,861		35,079	108,940
Classroom Materials and Fees	15,743				15,743
Other	175,630	1,310		1,730	178,670
Intergovernmental	1,734,878		5,106	393,572	2,133,556
<b>Total Cash Receipts</b>	<u>4,287,745</u>	<u>75,171</u>	<u>57,261</u>	<u>866,553</u>	<u>5,286,730</u>
<b>Cash Disbursements:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	2,316,967			102,812	2,419,779
Special	361,321			80,534	441,855
Vocational	9,065			500	9,565
<b>Support Services:</b>					
Pupil	111,788			108,645	220,433
Instructional Staff	157,282			4,704	161,986
Board of Education	9,783			2,900	12,683
Administration	391,469				391,469
Fiscal	243,443		987	16,266	260,696
Operations and Maintenance	448,363				448,363
Pupil Transportation	163,623			388	164,011
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations				191,512	191,512
Extracurricular Activities	82,628	68,169		36,508	187,305
Facilities Acquisition and Construction	4,250		86,685	40,000	130,935
<b>Debt Service:</b>					
Principal Retirement				130,000	130,000
Interest and Fiscal charges				202,788	202,788
<b>Total Cash Disbursements</b>	<u>4,299,982</u>	<u>68,169</u>	<u>87,672</u>	<u>917,557</u>	<u>5,373,380</u>
Cash Receipts Over (Under) Cash Disbursements	<u>(12,237)</u>	<u>7,002</u>	<u>(30,411)</u>	<u>(51,004)</u>	<u>(86,650)</u>
<b>Other Financing sources (Uses):</b>					
Transfers In				1,500	1,500
Transfers (Out)	(1,500)				(1,500)
Sale of Assets	759				759
Sale of Notes				40,000	40,000
<b>Total Other Financing Sources (Uses)</b>	<u>(741)</u>			<u>41,500</u>	<u>40,759</u>
Net Change in Fund Balances	(12,978)	7,002	(30,411)	(9,504)	(45,891)
<b>Fund Balances at Beginning of Year</b>	217,565	30,585	68,195	62,016	378,361
<b>Fund Balances at End of Year</b>	<u>\$204,587</u>	<u>\$37,587</u>	<u>\$37,784</u>	<u>\$52,512</u>	<u>\$332,470</u>

accompanying notes to the basic financial statements.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN  
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
From Local Sources:				
Taxes	\$2,025,163	\$2,073,616	\$1,918,040	(\$155,576)
Tuition	353,683	362,146	419,525	57,379
Earnings on Investments	4,883	5,000	23,929	18,929
Classroom Materials and Fees	15,138	15,500	15,743	243
Other	162,121	166,000	170,058	4,058
Intergovernmental	1,648,810	1,688,259	1,734,878	46,619
<b>Total Receipts</b>	<u>4,209,798</u>	<u>4,310,521</u>	<u>4,282,173</u>	<u>(28,348)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	2,352,600	2,342,353	2,320,100	22,253
Special	363,116	361,534	361,321	213
Vocational	8,411	8,374	9,065	(691)
<b>Support Services:</b>				
Pupil	111,768	111,281	111,788	(507)
Instructional Staff	155,931	155,252	157,786	(2,534)
Board of Education	9,086	9,046	9,805	(759)
Administration	382,212	380,548	391,612	(11,064)
Fiscal	251,777	250,680	245,724	4,956
Operations and Maintenance	466,342	464,311	450,713	13,598
Pupil transportation	166,838	166,111	163,623	2,488
Extracurricular Activities	85,432	85,060	81,128	3,932
Facilities Acquisition and Construction	5,022	5,000	4,250	750
<b>Total Disbursements</b>	<u>4,358,535</u>	<u>4,339,550</u>	<u>4,306,915</u>	<u>32,635</u>
Excess of Receipts (Under) Disbursements	<u>(148,737)</u>	<u>(29,029)</u>	<u>(24,742)</u>	<u>4,287</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditure	4,883	5,000	5,572	572
Transfers (Out)	(1,507)	(1,500)	(1,500)	
Advances (Out)	(1,507)	(1,500)	(1,500)	
Sale of Capital Assets	488	500	759	259
<b>Total Other Financing Sources (Uses)</b>	<u>2,357</u>	<u>2,500</u>	<u>3,331</u>	<u>831</u>
Net Change in Fund Balance	(146,380)	(26,529)	(21,411)	5,118
Fund Balance at Beginning of Year	189,369	189,369	189,369	
Prior Year Encumbrances Appropriated	28,196	28,196	28,196	
<b>Fund Balance at End of Year</b>	<u>71,185</u>	<u>191,036</u>	<u>196,154</u>	<u>5,118</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN  
FUND CASH BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
DISTRICT MANAGED STUDENT ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
<b>From Local Sources:</b>				
Extracurricular	\$57,500	\$57,500	\$73,861	\$16,361
Other			1,310	1,310
Total Receipts	<u>57,500</u>	<u>57,500</u>	<u>75,171</u>	<u>17,671</u>
<b>Disbursements:</b>				
Extracurricular Activities	<u>80,940</u>	<u>80,940</u>	<u>72,416</u>	<u>8,524</u>
Excess of Receipts Over (Under) Disbursements	(23,440)	(23,440)	2,755	26,195
Fund Balance at Beginning of Year	26,645	26,645	26,645	
Prior Year Encumbrances Appropriated	<u>3,940</u>	<u>3,940</u>	<u>3,940</u>	
<b>Fund Balance at End of Year</b>	<u><u>\$7,145</u></u>	<u><u>\$7,145</u></u>	<u><u>\$33,340</u></u>	<u><u>\$26,195</u></u>

*See accompanying notes to the basic financial statements.*

JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$11,567
Total Assets	<u>11,567</u>
<b>Net Assets:</b>	
Held for Students	11,567
Total Net Assets	<u>\$11,567</u>

*See accompanying notes to the basic financial statements.*

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Jackson Center 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 operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 26 non-certificated employees, 40 certificated full-time teaching personnel and 3 administrative employees to provide services to 508 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The District is the 594<sup>th</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations 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, food services, 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 organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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 these 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 CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**1. Jointly Governed Organizations**

**Western Ohio Computer Organization (WOCO)** - WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$22,041 to WOCO during fiscal year 2006. Financial information is available from Louis Ivey, who serves as Director at 129 East Court Street, Sidney, Ohio 45365.

**Southwestern Ohio Educational Purchasing Council (SOEPC)** - The SOEPC is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwestern Ohio Instructional Technology Association (SOITA)** - The SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members within the state assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the state assigned SOITA service area.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instruction Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**West Central Ohio Special Education Regional Resource Center (SERRC)** - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326

**Shelby County Local Professional Development Committee (Committee)** - The District is a participant in the Committee which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County.

The Committee is governed by a twelve member board made of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**2. Insurance Purchasing Pools**

**Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan** - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The GRP was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to The Sheakley Group of Companies to cover the costs of administering the program.

**Shelby County Schools Consortium** - The Shelby County Schools Consortium (the "Consortium") is an insurance purchasing pool among several local school districts and the Shelby County Educational Service Center. This purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center. The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**Southwestern Ohio Educational Council Property, Fleet, and Liability Program –** The District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL).

The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director at 1831 Harshman Road, Dayton, Ohio 45424.

**B. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**C. 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. The District classifies each fund as governmental or fiduciary.

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. 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.

**District Managed Student Activity Fund** – This Fund is used to account for transactions related to athletic, music and yearbook student activity programs managed by the District.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**Permanent Improvement Fund** - The Permanent Improvement Capital Projects Fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

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; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

**2. Fiduciary Funds**

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's Agency Fund accounts for student activities.

**D. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or receipts or other non exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

**2. Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at fund object level for the general fund, bond retirement debt service fund, permanent improvement capital project fund, and building capital project fund and at the fund level for all remaining funds.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered that entire fiscal year, including amounts automatically carried forward from prior fiscal years.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all 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 2006, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$23,929, which includes \$9,823 assigned from other 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.

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**J. Fund Balance Reserves**

The District reserves those portions of fund cash balance which are legally segregated for a specific future use. Unreserved fund cash balance indicates that portion of fund cash balance which is available for appropriation in future periods. Fund cash balance reserves have been established for encumbrances and debt service.

**K. Net Assets/Restricted Assets**

Net assets are reported as restricted when there are enabling limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

**L. Inventory and Prepaid Items**

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

**M. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**N. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the basic financial statements.

**O. Receipts and Disbursements**

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services, and operating grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**P. 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. Neither type of transaction occurred during fiscal year 2006.

**3. DEPOSITS AND INVESTMENTS**

State statutes classify 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 that the Board of Education has identified as not required for use within the current five 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 moneys 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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 Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year-end, the District had \$2,150 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."

**B. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$208,174. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$32,846 of the District's bank balance of \$232,846 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or be a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**C. Investment**

As of June 30, 2006, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase Agreement	\$133,713	\$133,713

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**Custodial Credit Risk:** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

**Concentration of Credit Risk:** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$133,713	100.00%

**D. Reconciliation of Cash to the Statement of Net Assets**

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2006:

<b>Cash per footnote</b>	
Carrying amount of deposits	\$208,174
Investments	133,713
Cash on hand	2,150
Total	\$344,037

<b>Cash per Statement of Net Assets</b>	
Governmental activities	\$332,470
Agency funds	11,567
Total	\$344,037

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

<u>Net Change In Fund Balance</u>	
Cash Basis	(\$12,978)
Adjustment of Encumbrances	<u>(8,433)</u>
Budget Basis	<u><u>(21,411)</u></u>

**5. INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

**Transfers to Non-major Governmental funds from:**

General Fund	\$1,500
--------------	---------

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

**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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 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 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. 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 Shelby, Auglaize, and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second Half Collections</b>		<b>2006 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/residential and other real estate	\$41,367,380	71.43	\$42,089,280	77.26
Public utility personal	2,626,430	4.54	2,636,690	4.84
Tangible personal property	13,918,247	24.03	9,753,778	17.90
<b>Total</b>	<b>\$57,912,057</b>	<b>100.00</b>	<b>\$54,479,748</b>	<b>100.00</b>
Tax rate per \$1,000 of assessed valuation	53.20		53.20	



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. LONG-TERM OBLIGATIONS**

A. During the fiscal year 2006, the following changes occurred in the District's long-term obligations:

	<u>Balance Outstanding June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2006</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
<b>School improvement bonds:</b>					
Serial bonds	\$1,025,000		(\$130,000)	\$895,000	\$135,000
Term bonds	3,340,000			3,340,000	
Capital appreciation bonds	40,000			40,000	
Accretion on capital bonds	51,545	\$20,677		72,222	
Total bonds payable	<u>4,456,545</u>	<u>20,677</u>	<u>(130,000)</u>	<u>4,347,222</u>	<u>135,000</u>
Permanent improvement anticipation notes		40,000		40,000	8,000
Total bonds payable	<u>\$4,456,545</u>	<u>\$60,677</u>	<u>(\$130,000)</u>	<u>\$4,387,222</u>	<u>\$143,000</u>

**Jackson Center Local School Improvement Bonds (2001)** - During 2001, the District issued \$4,779,997 in voted general obligation bonds for the purpose of constructing improvements and additions to existing school buildings and providing furnishings, equipment, and site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,400,000, \$3,340,000 and \$40,000. The bonds will be retired from the Debt Service fund, with a portion of the proceeds of a 5.5 mill voted property tax levy.

**Permanent Improvement Anticipation Notes** - During 2006, the District signed a \$40,000 note for the purchase of adjacent residential property. The note was issued February 1, 2006 and carries an interest rate of 3.74%. The note will mature on December 1, 2010 and will be retired from the Debt Service fund.

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2006, are as follows:

<u>Year Ended</u>	<u>General Obligation Term/Serial Bonds</u>			<u>General Obligation Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$135,000	\$198,346	\$333,346			
2008	140,000	193,463	333,463			
2009	145,000	188,117	333,117			
2010	150,000	182,326	332,326			
2011	160,000	176,046	336,046			
2012 - 2016	335,000	828,476	1,163,476	\$40,000	\$470,000	\$510,000
2017 - 2021	995,000	670,292	1,665,292			
2022 - 2026	1,260,000	392,000	1,652,000			
2027 - 2029	915,000	70,125	985,125			
Total	<u>\$4,235,000</u>	<u>\$2,899,191</u>	<u>\$7,134,191</u>	<u>\$ 40,000</u>	<u>\$ 470,000</u>	<u>\$ 510,000</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

<b>Permanent Improvement Anticipation Notes</b>			
<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$8,000	\$1,346	\$9,346
2008	8,000	1,047	9,047
2009	8,000	748	8,748
2010	8,000	449	8,449
2011	8,000	150	8,150
Total	\$40,000	\$3,740	\$43,740

**1. Term Bonds**

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years 2015 through 2019 (with the balance of \$220,000 to be paid at stated maturity on December 1, 2020) and in the respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2015	\$170,000
2016	180,000
2017	190,000
2018	200,000
2019	205,000

The term bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in each of the years 2021 through 2027 (with the balance of \$320,000 to be paid at stated maturity on December 1, 2028) and in the respective principal amounts as follows:

<b>Year</b>	<b>Amount</b>
2021	\$230,000
2022	240,000
2023	250,000
2024	265,000
2025	275,000
2026	290,000
2027	305,000

**2. Serial Bonds**

The serial bonds maturing on December 1, 2011, and thereafter, are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any interest payment date on or after December 1, 2011, at a redemption price equal to the following percentages of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**7. LONG-TERM OBLIGATIONS (Continued)**

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2011 through November 20, 2012	101%
December 1, 2012 and thereafter	100%

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2006 is \$112,222.

**B. 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, 2006 are a voted debt margin of \$657,207 and an unvoted debt margin of \$54,480.

**8. RISK MANAGEMENT**

**A. Property and Liability**

The 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 fiscal year 2006, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A.) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Selective Insurance Company	\$ 1,000,000	\$1,000
General Liability	Selective Insurance Company	1,000,000/3,000,000	
Liability, fleet & property	Selective Insurance Company		
Each occurrence		1,000,000	
Aggregate		3,000,000	
Excess property:	Travelers Indemnity Company	300,000,000	
Umbrella and Liability	ACE Westchester	5,000,000	
Educator's Legal Liability	National Union Fire Insurance Co.	1,000,000	5,000
Boiler and machinery	Federal Insurance Company	50,000,000	2,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's 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 Cooperative 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 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.

**C. Medical, Dental and Life Insurance Benefits**

For fiscal year 2006, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A.). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

**9. PENSION PLANS**

**A. School Employees Retirement System**

The 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 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent 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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$67,488, \$62,745 and \$56,507, respectively; 48.63% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$34,669 represents the unpaid contribution for fiscal year 2006.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$279,900, \$278,547, and \$283,416, respectively; 83.55% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$46,050 represents the unpaid contribution for fiscal year 2006.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$21,531 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of .01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$13,267 to fund health care benefits, not including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 were \$158.751 million. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006, SERS had 59,492 participants currently receiving health care benefits.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. 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.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**12. STATUTORY RESERVES**

The District is required by state law to set-aside certain General Fund cash receipt 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, 2006, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside cash balance as of June 30, 2005	(\$6,809)	(\$4,688,573)
Current year set-aside requirement	74,689	74,689
Qualifying disbursements	(79,442)	
Total	(\$11,562)	(\$4,613,884)
Cash balance carried forward to FY 2007	(\$11,562)	(\$4,613,884)

The District had qualifying disbursements that reduced the set-aside amount for textbooks to below zero. These amounts may be used to reduce the set aside requirements of future years. For capital acquisitions, the negative set aside balance is the result of capital disbursements from the 2001 bond proceeds which are allowed to be carried forward to reduce future set aside requirements

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# Mary Taylor, CPA

Auditor of State

## **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Jackson Center Local School District  
Shelby County  
204 South Linden Street  
Jackson Center, Ohio 45334

To the Board of Education:

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, (the District) as of and for the fiscal years ended June 30, 2007 and 2006 which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2008, wherein, we noted the District uses a comprehensive accounting basis other than 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the District's management in a separate letter dated January 24, 2008.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2008.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the management and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 24, 2008

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2007 AND 2006**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**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 Adm. Code Section 117-2-03(B)** requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the District prepared 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, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the District should prepare their financial statements according to generally accepted accounting principles.

**Officials Response:**

The District has elected not to prepare financial reports in accordance with generally accepted accounting principles (GAAP) due to the projected cost savings of approximately \$15,000 in conversion and audit costs for this two year period.

JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2007 AND 2006

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>
2005-001	Finding for Recovery for overpayment of compensation – Repaid Under Audit during prior audit.	Yes	



**Mary Taylor, CPA**  
Auditor of State

**JACKSON CENTER LOCAL SCHOOL DISTRICT**

**SHELBY 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 11, 2008**