



**Auditor of State
Betty Montgomery**

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Jackson Center Local School District, Shelby County, (the District), as of and for the years ended June 30, 2003 and June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003 and June 30, 2002 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 26, 2003

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,202,368	\$75,218	\$94,146	\$1,786,106
Cash with Fiscal and Escrow Agents		9,282	203	
Receivables:				
Taxes	1,584,398		359,097	48,740
Accounts	398	403		
Intergovernmental	1,486	7,257		
Materials and Supplies Inventory	2,630			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	5,944			
Cash in Segregated Accounts				161,862
Fixed Assets, (Net where applicable of Accumulated Depreciation)				
Other Debits				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets	2,797,224	92,160	453,446	1,996,708
Liabilities				
Accounts Payable	21,614	906		
Contracts Payable				245,203
Accrued Wages and Benefits	295,204	8,160		
Compensated Absences Payable				
Retainage Payable				161,862
Intergovernmental Payable	63,186	1,141		
Deferred Revenue	1,473,090		334,755	45,344
Due to Students				
Matured Interest Payable			203	
Capital Leases Payable	26,610			
General Obligation Bonds Payable				
Total Liabilities	1,879,704	10,207	334,958	452,409
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	54,332	21,695		1,460,479
Reserved for Inventory	2,630			
Reserved for Budget Stabilization	377			
Reserved for Taxes	111,308		24,342	3,396
Reserved for Bus Purchase	5,567			
Unreserved:				
Undesignated	743,306	60,258	94,146	80,424
Total Fund Equity	917,520	81,953	118,488	1,544,299
Total Liabilities, Fund Equity and Other Credits	\$2,797,224	\$92,160	\$453,446	\$1,996,708

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$7,294	\$10,082			\$3,175,214 9,485
				1,992,235 801 8,743 2,630
6,400				6,400
				5,944 161,862
16,945		\$5,243,459		5,260,404
			\$118,488	118,488
			5,184,645	5,184,645
<u>30,639</u>	<u>10,082</u>	<u>5,243,459</u>	<u>5,303,133</u>	<u>15,926,851</u>
300	300			23,120 245,203
11,880				315,244
			245,203	245,203
				161,862
10,094			38,410	112,831
				1,853,189
	9,782			9,782
				203
			27,855	54,465
			4,991,665	4,991,665
<u>22,274</u>	<u>10,082</u>		<u>5,303,133</u>	<u>8,012,767</u>
		5,243,459		5,243,459
8,365				8,365
				1,536,506 2,630 377
				139,046 5,567
				978,134
<u>8,365</u>		<u>5,243,459</u>		<u>7,914,084</u>
<u>\$30,639</u>	<u>\$10,082</u>	<u>\$5,243,459</u>	<u>\$5,303,133</u>	<u>\$15,926,851</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
Revenue					
Property Taxes	\$1,483,429		\$327,167	\$45,899	\$1,856,495
Intergovernmental	1,619,294	\$170,941	29,354	14,408	1,833,997
Interest	115,861				115,861
Tuition and Fees	437,563				437,563
Extracurricular Activities		78,676			78,676
Gifts and Donations	90,903	2,325			93,228
Miscellaneous	17,736	6,116			23,852
Total Revenues	<u>3,764,786</u>	<u>258,058</u>	<u>356,521</u>	<u>60,307</u>	<u>4,439,672</u>
Expenditures					
Current:					
Instruction:					
Regular	1,989,657	52,396		9,332	2,051,385
Special	290,357	90,169			380,526
Vocational	55,454				55,454
Support Services:					
Pupils	211,640	4,308			215,948
Instructional Staff	216,358	26,759			243,117
Board of Education	22,920	1,305			24,225
Administration	355,741		2,980		358,721
Fiscal	162,386	12,447		403	175,236
Operation and Maintenance of Plant	352,751				352,751
Pupil Transportation	164,353				164,353
Extracurricular Activities	74,169	97,529			171,698
Capital Outlay	94,197			3,060,931	3,155,128
Debt Service:					
Principal Retirement			175,000		175,000
Interest and Fiscal Charges			221,162		221,162
Total Expenditures	<u>3,989,983</u>	<u>284,913</u>	<u>399,142</u>	<u>3,070,666</u>	<u>7,744,704</u>
Excess of Revenues Over (Under) Expenditures	(225,197)	(26,855)	(42,621)	(3,010,359)	(3,305,032)
Other Financing Sources (Uses):					
Transfer - In	2,000	1,200			3,200
Transfer - Out	(18,288)				(18,288)
Total Other Financing Sources (Uses)	<u>(16,288)</u>	<u>1,200</u>			<u>(15,088)</u>
Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses	(241,485)	(25,655)	(42,621)	(3,010,359)	(3,320,120)
Fund Balances at Beginning of Year	1,159,005	107,608	161,109	4,554,658	5,982,380
Fund Balances at End of Year	<u>\$917,520</u>	<u>\$81,953</u>	<u>\$118,488</u>	<u>\$1,544,299</u>	<u>\$2,662,260</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**JACKSON CENTER LOCAL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,455,224	\$1,460,174	\$4,950			
Intergovernmental	1,618,396	1,619,294	898	\$209,248	\$112,144	(\$97,104)
Interest	114,000	114,690	690			
Tuition and Fees	449,875	450,713	838			
Extracurricular Activities				68,700	79,631	10,931
Gifts & Donation	90,000	90,903	903	5,350	2,325	(3,025)
Miscellaneous	17,350	17,450	100	9,000	5,713	(3,287)
Total Revenues	3,744,845	3,753,224	8,379	292,298	199,813	(92,485)
Expenditures:						
Current:						
Instruction:						
Regular	2,027,002	2,012,395	14,607	91,950	73,396	18,554
Special	305,839	288,369	17,470	68,635	57,870	10,765
Vocational	62,574	54,836	7,738			
Support Services:						
Pupils	215,567	214,214	1,353	2,309	2,577	(268)
Instructional Staff	214,314	211,921	2,393	14,367	10,688	3,679
Board of Education	23,298	22,998	300	2,000	2,000	
Administration	361,522	359,487	2,035			
Fiscal	175,435	167,468	7,967	24,620	17,618	7,002
Operation and Maintenance of Plant	364,372	349,144	15,228			
Pupil Transportation	189,362	173,108	16,254			
Operation of Non-Instructional Services						
Extracurricular Activities	81,753	74,039	7,714	112,988	100,788	12,200
Capital Outlay	129,907	118,669	11,238	6,260		6,260
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	4,150,945	4,046,648	104,297	323,129	264,937	58,192
Excess of Revenues Over (Under) Expenditures	(406,100)	(293,424)	112,676	(30,831)	(65,124)	(34,293)
Other Financing Sources (Uses):						
Transfers-In	2,000	2,000		1,200	1,200	
Transfer-Out		(18,288)	(18,288)			
Total Other Financing Sources (Uses)	2,000	(16,288)	(18,288)	1,200	1,200	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(404,100)	(309,712)	94,388	(29,631)	(63,924)	(34,293)
Fund Balances at Beginning of Year	1,378,111	1,378,111		104,049	104,049	
Prior Year Encumbrances Appropriated	74,791	74,791		13,035	13,035	
Fund Balances at End of Year	\$1,048,802	\$1,143,190	\$94,388	\$87,453	\$53,160	(\$34,293)

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service			Capital Project		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$347,000	\$322,236	(\$24,764)	\$49,000	\$45,218	(\$3,782)
31,248	29,354	(1,894)	14,940	14,408	(532)
<u>378,248</u>	<u>351,590</u>	<u>(26,658)</u>	<u>63,940</u>	<u>59,626</u>	<u>(4,314)</u>
			12,880	10,532	2,348
3,500	2,980	520	1,000	403	597
			4,612,673	4,485,989	126,684
175,000	175,000				
221,162	221,162				
<u>399,662</u>	<u>399,142</u>	<u>520</u>	<u>4,626,553</u>	<u>4,496,924</u>	<u>129,629</u>
(21,414)	(47,552)	(26,138)	(4,562,613)	(4,437,298)	125,315
(21,414)	(47,552)	(26,138)	(4,562,613)	(4,437,298)	125,315
141,699	141,699		4,558,871	4,558,871	
			11,473	11,473	
<u>\$120,285</u>	<u>\$94,147</u>	<u>(\$26,138)</u>	<u>\$7,731</u>	<u>\$133,046</u>	<u>\$125,315</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise
Operating Revenue:	
Sales	\$110,110
Total Operating Revenue	110,110
Operating Expenses:	
Salaries & Wages	78,032
Fringe Benefits	42,597
Purchased Services	8,455
Cost of Sales	81,367
Depreciation	2,442
Total Operating Expenses	212,893
Operating Income (Loss)	(102,783)
Non-Operating Revenues/Expenses:	
Intergovernmental Revenue	39,945
Federal Donated Commodities	14,021
Interest	86
Total Non-Operating Revenues	54,052
Income (Loss) before transfers	(48,731)
Transfers-In	15,000
Net Income	(33,731)
Retained Earnings/Fund Equity at Beginning of Year	42,096
Retained Earnings/Fund Equity at End of Year	\$8,365

See Accompanying Notes to the General Purpose Financial Statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$110,110
Cash Payments for Employee Services and Benefits	(119,967)
Cash Payments to Suppliers for Goods and Services	(75,783)
Net Cash Used In Operating Activities	<u>(85,640)</u>
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	39,945
Other Non Operating Receipts	15,000
Net Cash Provided By Noncapital Financing Activities	<u>54,945</u>
 Cash Flows from Investing Activities:	
Interest	86
Net Cash Provided By Investing Activities	<u>86</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (30,609)
 Cash and Cash Equivalents Beginning of Year	 37,903
 Cash and Cash Equivalents End of Year	 <u><u>7,294</u></u>
 Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:	
Operating Income (Loss)	(102,783)
 Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation	2,442
Donated Commodities Received	14,021
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory Held for Resale	(158)
Increase/(Decrease) in Accounts Payable	176
Increase/(Decrease) in Accrued Salaries Payable	343
Increase/(Decrease) in Intergovernmental Payable	3,444
Increase/(Decrease) in Compensated Absences Payable	(3,125)
Net Cash Used In Operating Activities	<u><u>(\$85,640)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Jackson Center Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 25 non-certificated employees, 44 certificated full time teaching personnel and 3 administrative employees to provide services to 590 students and other community members

The School 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 School District is the 588th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The School District does not have any component units.

The School District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Cooperative (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), Shelby County Local Professional Development Committee, and West Central Ohio Special Education Regional Resource Center (WCOSERRC) as jointly governed organizations.

The School District is also associated with the Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools.

These organizations are presented in Notes 13 and 14 to the general-purpose financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

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

General Fund

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds or trust funds).

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: Property taxes available as an advance, taxpayer-assessed income taxes, interest, grants and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level of General Fund, Debt Service Fund, and Capital Project Fund. The legal level of budgetary control is at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total object appropriations within a fund (for General, Debt Service, and Capital Project) or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The balance of various grant activity administered by another governmental agency, and held with the fiscal agent outside the District Treasury, is presented on the balance sheet as "cash with fiscal agent," and represents deposits.

During fiscal year 2003, investments were limited to repurchase agreements, certificates of deposit, Federal Home Loan Bank Bonds, U. S. Treasury Notes, Federal Home Mortgage Bonds, Federal Mortgage Association Notes, and Money Market Funds.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$115,861, which includes \$3,285 assigned from other School District funds. In addition, the enterprise fund received \$86 in interest.

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise fund consist of donated food, purchased food, and purchased non-foods and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set aside by the School District for the purchase of school buses and to create a reserve for budget stabilization. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are capitalized and depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Title V
Title I
Title VI-R
School Net Professional Development
Eisenhower Grant Title II
OhioReads
Drug Free Grant Title IV
Title II-A
Title II-D
School Improvement Incentive
Summer School Grant
School Network Connectivity Grant
Disadvantage Pupil Impact Grant
Assistive Technology Infusion Grant
Title IDEA
Preschool Grant
Ohio Department of Education Mini Grant
Capital Projects
School Net Plus
Ohio SchoolNet IVDL

Reimbursable Grants

General Fund

Telecommunications Act Grant

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 41.3 percent of the School District's governmental fund revenue during the 2003 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables".

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after ten years of current service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees unpaid leave are paid. The remainder is reported in the general long-term obligation account group. These amounts are recorded in the account "compensated absences payable". In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available resources.

Bonds and long-term loans are reported as a liability of the general long-term debt account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the appropriate funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. Transfers in/out do not equal due to transactions with Agency funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

The School District records reservations for portions of fund equity, which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and material, budget stabilization, school bus purchases, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents the District's portion of Bureau of Workers Compensation refunds.

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

O. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for the governmental fund types.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Fund**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ (241,485)	\$ (25,655)	\$ (42,621)	\$ (3,010,359)
Revenue Accruals	(11,562)	(58,245)	(4,931)	(681)
Expenditure Accruals	3,583	42,039	-	388,665
Encumbrances Outstanding at Year End (Budget Basis)	(60,248)	(22,063)	-	(1,814,923)
Budget Basis	<u>\$ (309,712)</u>	<u>\$ (63,924)</u>	<u>\$ (47,552)</u>	<u>\$ (4,437,298)</u>

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

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 or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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 the 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; and
6. The State Treasurer's investment pool (STAR Ohio)

Investments in stripped principal or interest obligation, 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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$150 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$9,485 shown in the special revenue funds and debt service fund is maintained with the Shelby County Educational Service Center and Bank One respectively. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$683,042 and the bank balance was \$763,389. Of the bank balance, \$200,000 was covered by federal depository insurance; and \$563,389 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School held to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying/ Fair Value</u>
Repurchase Agreements	-	132,991	132,991
Federal Home Loan Bank Bonds	201,562	-	201,562
U. S. Treasury Notes	70,437	-	70,437
Federal Home Mortgage Bonds	224,765	-	224,765
Federal Mortgage Association Notes	1,800,330	-	1,800,330
Money Market	-	229,743	229,743
Totals	<u>2,297,094</u>	<u>362,734</u>	<u>2,659,828</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

A reconciliation between the classifications of cash and cash equivalents and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

	<u>Cash/ Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 3,352,505	\$ -
Cash on Hand	(150)	-
Cash Held by Agent	(9,282)	-
Cash Held by Bond Agent	(203)	-
Repurchase Agreements	(132,991)	132,991
Federal Home Loan Bonds	(201,562)	201,562
U. S. Treasury Notes	(70,437)	70,437
Federal Home Mortgage Bonds	(224,765)	224,765
Federal National Mortgage Assoc	(1,800,330)	1,800,330
Money Market	(229,743)	229,743
GASB Statement 3	<u>\$ 683,042</u>	<u>\$ 2,659,828</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

5. PROPERTY TAXES

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

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

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

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

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

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

The amount available as an advance at June 30, 2003 was \$111,308 in the general fund, \$24,342 in the debt service fund, and \$3,396 in the capital projects improvement fund. The amount available as an advance at June 30, 2002, was \$ 88,053 in the general fund, \$ 19,411 in the debt service fund, and \$ 2,715 in the capital projects improvement fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

5. PROPERTY TAXES (Continued)

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

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

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$35,963,770	66%	\$38,554,010	68%
Public Utility	2,993,970	7	2,928,850	5
Tangible Personal Property	17,503,420	27	15,102,592	27
Total Assessed Value	\$56,461,160	100%	\$56,585,452	100%
Tax rate per \$1,000 of Assessed valuation	\$47.5		\$46.60	

6. RECEIVABLES

Receivables at June 30, 2003, consisted of property and income taxes, accounts (billings for user charged services and student fees), interest, inter-fund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

7. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$ 98,814
Less Accumulated Depreciation	(81,869)
Net Fixed Assets	\$ 16,945

A summary of the change in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 06/30/02	Additions	Deletions	Balance at 06/30/03
Land and Improvements	\$57,106	\$ 9,170	\$ 17,348	\$48,928
Buildings and Improvements	947,716	65,373	17,500	995,589
Furniture/Fixtures/Equipment	883,258	129,414	1,750	1,010,922
Vehicles	282,799	-	-	282,799
Construction in Progress	-	2,905,221	-	2,905,221
Totals	\$2,170,879	\$3,109,178	\$36,598	\$5,243,459

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

8. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2003, the School District contracted with Selective Insurance Company through Marsh Insurance Agency for property and fleet insurance, inland marine coverage and for liability insurance.

Coverages provided by Selective Insurance Company are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$14,318,200
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000
General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from prior years.

B. Medical, Dental and Life Insurance Benefits

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 14) consisting of seven school districts and an educational service center. The District pays monthly premiums to Anthem Blue Cross/Blue Shield for medical and dental benefits, and also pays monthly premium to Medical Life for life insurance benefits

C. Worker's Compensation

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials (OASBO), Workers' Compensation Group Grating Program, an insurance purchasing pool (Note 14). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of The Sheakley Group of Companies provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer Defined Benefit pension plan. SERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to established benefits is provided by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion Of the School District's contributions is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS retirement board.

The School District's required contributions for pension obligations to SERS for the fiscal years ending June 30, 2003, 2002, and 2001 were \$42,829, \$26,945 and \$17,246 respectively; 42.91 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$24,449 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The School 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 issues a publicly available stand alone financial report that may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion to fund pension obligations was 9.5 percent. Contribution rates are established by STRS, 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 School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$262,080, \$177,612, and \$168,730 respectively; 82.51 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$190.24 and \$0 made by the School District and \$168.24 and \$3,248 made by the plan members. \$45,845 representing the unpaid contribution for fiscal year 2003 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. Effective July 1, 2002, 1% of covered payroll will be allocated to the fund. For the School District, this amount equaled \$20,160 during the 2003 fiscal year.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

10. POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 million at June 30, 2002 (latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 (the latest information available) were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$45,935 during the 2003 fiscal year.

11. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 170 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days for certified employees and 35 days for classified employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Dental insurance is provided by the School District to most employees through Anthem. Vision care insurance is provided by the School District to most employees through VisionPlus.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

12. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Outstanding June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2003</u>
School Improvement Bond 1980	\$ 115,000	\$ -	\$ 55,000	\$ 60,000
School Improvement Bond 2001				
Serial Bonds - 2.6 -4.2%	1,400,000	-	120,000	1,280,000
Term Bonds - 4 - 9.5%	3,340,000	-	-	3,340,000
Original Issue of Capital:				-
Appreciation Bonds	40,000	-	-	40,000
Accretion	257,383	14,282	-	271,665
Total School Improvement Bond 2001	<u>5,037,383</u>	<u>14,282</u>	<u>120,000</u>	<u>4,931,665</u>
Capital Bus Lease	55,016	-	27,161	27,855
Total Long Term Debt	<u>5,207,399</u>	<u>14,282</u>	<u>202,161</u>	<u>5,019,520</u>
Intergovernmental Payable	28,706	38,410	28,706	38,410
Compensated Absences	171,922	73,281	-	245,203
Total General Long-Term Obligations	<u>\$ 5,408,027</u>	<u>\$ 125,973</u>	<u>\$ 230,867</u>	<u>\$ 5,303,133</u>

Jackson Center Local School Improvement Bonds - 1980

School Building addition General Obligation Bonds – In 1980, Jackson Center Local School District issued \$1,272,000 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 bonds were issued for a twenty-three year period with final maturity at December 1, 2003. The bonds will be retired from the Debt Service fund.

Jackson Center Local School Improvement Bonds - 2001

School Building addition General Obligation Bonds – In fiscal year 2001, Jackson Center Local School 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.

A. 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:

Year	Amount
2015	170,000
2016	180,000
2017	190,000
2018	200,000
2019	205,000

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

12. LONG-TERM OBLIGATIONS – (Continued)

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:

Year	Amount
2021	230,000
2022	240,000
2023	250,000
2024	265,000
2025	275,000
2026	290,000
2027	305,000

B. Serial Bonds

The serial bonds maturing on December 1, 2011, and thereafter, are subject to redemption at the option of the School 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.

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

The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000. For fiscal year 2003, \$14,282 was accreted for total bond value of \$311,665.

Capital Bus Lease

The District entered into a capital bus lease with Blue Bird Body Company for the lease of two school buses. The lease is for a three-year period. Annual payments are \$14,727 per bus lease.

Intergovernmental Payable

Intergovernmental payable consists of SERS and SERS surcharge liabilities that will not be paid with current available expendable financial resources, and will be paid from the fund from which the employees' salaries are paid.

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. This includes possible sick leave severance, accumulated vacation and separation severance.

The School District's overall legal debt margin was \$5,092,691 and un-voted debt margin of \$56,585 at June 30, 2003.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

12. LONG-TERM OBLIGATIONS – (Continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

Year Ending June 30	1980 Bonds	2001 Bonds	Capital Lease	Total
2004	\$ 62,438	\$ 335,711	\$ 29,454	\$ 427,603
2005	-	336,915	-	336,915
2006	-	332,787	-	332,787
2007	-	333,346	-	333,346
2008	-	333,463	-	333,463
2009-2013	-	1,671,621	-	1,671,621
2014-2018	-	1,670,465	-	1,670,465
2019-2023	-	1,662,418	-	1,662,418
2024-2028	-	1,644,875	-	1,644,875
2029	-	328,000	-	328,000
Totals	\$ 62,438	\$ 8,649,601	\$ 29,454	\$ 8,741,493

13. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO) – The Jackson Center Local School District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education.

The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of WOCO consists of two representatives from each School elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent.

WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the School District. The School District paid WOCO \$14,409 services provided during the year. Financial information can be obtained from Sonny Ivy, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Cooperative – The Southwestern Ohio Educational Purchasing Cooperative (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. 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 made from the General Fund amount to \$522. To obtain financial information, write the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman road, Dayton, Ohio 45424.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (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 institution. 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 as 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.

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. During fiscal year 2003, the School District paid \$968 to SOITA. 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 - The West Central Ohio Special Education Regional Resource Center (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 the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

Shelby County Local Professional Development Committee - The School District is a participant in the Shelby County Local Professional Development Committee (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 up 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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

14. GROUP PURCHASING POOLS

Ohio Association of School Business Officials (OASBO) Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The OASBO established this pool and CompManagement provides consultant services in the management of the program. Each year, the participating school 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 is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. This group purchasing pool formed a voluntary employee benefit association to provide sick and dental and life benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to Anthem Blue Cross/Blue Shield for health and dental coverage and to Medical Life for life coverage. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

15. SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside an amount based on prior year revenues for the purchase of textbooks and other instructional materials and an addition amount for capital improvements. Amounts not spent by year-end or offset by similarly restricted resources must be held in cash at year-end and carried forward to be used for the same purposes in future years. The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, and capital improvements from the end of the prior year to the end of the current year. Disclosure of this information is required by State statute. We have also disclosed the change in reserve for school bus purchases.

	<u>Textbook</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance June 30, 2002	\$ (797)	\$ (4,789,169)	\$ 11,127
Current Year Set-aside Requirement	81,616	81,616	
Qualifying Disbursements	<u>(100,286)</u>	<u>(63,479)</u>	<u>(10,750)</u>
Set-aside Carried forward to July 1, 2003	<u>\$ (19,467)</u>	<u>\$ (4,771,032)</u>	<u>\$ 377</u>

The cash carried forward for budget stabilization, represents the Bureau of Workers Compensation rebates received in previous years.

16. GRANTS

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

17. CONSTRUCTION COMMITMENTS

On August 5, 2002, the following contracts were awarded for the construction/renovations of the Jackson Center School District buildings. The construction project was still active as of June 30, 2003.

Contractor	Purpose	Amount Remaining
Baumer Construction	General Contractor	\$ 773,289
Noll-Fisher	Plumbing	34,441
Central Fire Protection, Inc.	Fire Protection	11,032
Griffith Sheet Metal	HVAC	188,421
Koester Electric, Inc	Electrical	387,960
Farnham Equipment Company	Casework	101,600
Tuttle Construction	Tackboard/Markerboard	22,148
Total Commitments		<u>\$ 1,518,891</u>

18. SCHOOL FUNDING COURT DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed " ...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

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

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,439,399	\$117,078	\$141,698	\$4,570,343
Cash with Fiscal and Escrow Agents		2,171	609	
Receivables:				
Taxes	1,723,410		363,241	50,659
Accounts	13,262	955		
Intergovernmental		3,909		
Materials and Supplies Inventory	9,477			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	17,206			
Fixed Assets, (Net where applicable of Accumulated Depreciation)				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets	<u>3,202,754</u>	<u>124,113</u>	<u>505,548</u>	<u>4,621,002</u>
Liabilities				
Accounts Payable	57,030	6,302		18,400
Accrued Wages and Benefits	271,589	9,826		
Compensated Absences Payable				
Intergovernmental Payable	54,095	377		
Deferred Revenue	1,635,357		343,830	47,944
Due to Students				
Matured Interest Payable			609	
Capital Leases Payable	25,678			
General Obligation Bonds Payable				
Total Liabilities	<u>2,043,749</u>	<u>16,505</u>	<u>344,439</u>	<u>66,344</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	37,947	8,109		11,472
Reserved for Inventory	9,477			
Reserved for Budget Stabilization	11,127			
Reserved for Taxes	88,053		19,411	2,715
Reserved for Bus Purchase	6,079			
Unreserved:				
Undesignated	1,006,322	99,499	141,698	4,540,471
Total Fund Equity	<u>1,159,005</u>	<u>107,608</u>	<u>161,109</u>	<u>4,554,658</u>
Total Liabilities and Fund Equity	<u>\$3,202,754</u>	<u>\$124,113</u>	<u>\$505,548</u>	<u>\$4,621,002</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$37,903	\$11,228			\$6,317,649 2,780
				2,137,310 14,217 3,909 9,477 6,242
6,242				17,206
19,387		\$2,170,879		2,190,266
			\$161,109	161,109
			5,246,918	5,246,918
<u>63,532</u>	<u>11,228</u>	<u>2,170,879</u>	<u>5,408,027</u>	<u>16,107,083</u>
124	1,590			83,446
11,537				292,952
3,125			171,922	175,047
6,650			28,706	89,828
				2,027,131
	9,638			9,638
				609
			55,016	80,694
			5,152,383	5,152,383
<u>21,436</u>	<u>11,228</u>		<u>5,408,027</u>	<u>7,911,728</u>
		2,170,879		2,170,879
42,096				42,096
				57,528 9,477 11,127 110,179 6,079
				5,787,990
<u>42,096</u>		<u>2,170,879</u>		<u>8,195,355</u>
<u>\$63,532</u>	<u>\$11,228</u>	<u>\$2,170,879</u>	<u>\$5,408,027</u>	<u>\$16,107,083</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Governmental Fund Types</u>				Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
Revenue					
Property Taxes	\$1,593,017		\$207,671	\$48,240	\$1,848,928
Intergovernmental	1,625,769	\$157,678	18,265	9,056	1,810,768
Interest	155,146				155,146
Tuition and Fees	304,320				304,320
Extracurricular Activities		80,560			80,560
Gifts and Donations	24,613	1,000			25,613
Miscellaneous	139,205	50,117	56,495	161,539	407,356
Total Revenues	3,842,070	289,355	282,431	218,835	4,632,691
Expenditures					
Current:					
Instruction:					
Regular	1,697,690	77,006		11,650	1,786,346
Special	282,063	70,827			352,890
Vocational	49,008				49,008
Support Services:					
Pupils	177,283	4,935			182,218
Instructional Staff	184,008	17,499			201,507
Board of Education	11,320	2,800			14,120
Administration	365,840	2,000	954	212	369,006
Fiscal	162,526	3,804			166,330
Operation and Maintenance of Plant	281,722				281,722
Pupil Transportation	188,091				188,091
Extracurricular Activities	75,387	101,735			177,122
Capital Outlay	96,307	42,446		376,029	514,782
Debt Service:					
Principal Retirement			55,000		55,000
Interest and Fiscal Charges			173,286	161,536	334,822
Total Expenditures	3,571,245	323,052	229,240	549,427	4,672,964
Excess of Revenues Over (Under) Expenditures	270,825	(33,697)	53,191	(330,592)	(40,273)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	200				200
Proceeds from Sale of Bonds				4,779,997	4,779,997
Transfer - In		1,200			1,200
Transfer - Out	(65,208)				(65,208)
Total Other Financing Sources (Uses)	(65,008)	1,200		4,779,997	4,716,189
Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses	205,817	(32,497)	53,191	4,449,405	4,675,916
Fund Balances at Beginning of Year	953,188	140,105	107,918	105,253	1,306,464
Fund Balances at End of Year	\$1,159,005	\$107,608	\$161,109	\$4,554,658	\$5,982,380

See Accompanying Notes to the General Purpose Financial Statements

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$1,468,340	\$1,651,745	\$183,405			
Intergovernmental	1,461,009	1,625,769	164,760	\$121,360	\$128,371	\$7,011
Interest	122,000	160,752	38,752			
Tuition and Fees	276,175	308,432	32,257			
Extracurricular Activities				61,000	79,695	18,695
Gifts & Donation	825	24,613	23,788		1,000	1,000
Miscellaneous	49,947	139,205	89,258	53,900	50,117	(3,783)
Total Revenues	3,378,296	3,910,516	532,220	236,260	259,183	22,923
Expenditures:						
Current:						
Instruction:						
Regular	1,717,282	1,713,526	3,756	89,923	72,242	17,681
Special	274,207	272,169	2,038	52,949	51,467	1,482
Vocational	51,613	51,193	420			
Support Services:						
Pupils	200,054	184,567	15,487	3,989	3,210	779
Instructional Staff	184,482	183,578	904	30,290	7,719	22,571
Board of Education	14,570	13,618	952	1,800	1,800	
Administration	369,716	366,277	3,439	2,330	2,000	330
Fiscal	162,441	162,382	59	4,618	3,804	814
Operation and Maintenance of Plant	305,017	304,491	526			
Pupil Transportation	158,484	157,622	862			
Operation of Non-Instructional Services						
Extracurricular Activities	76,334	75,953	381	114,512	107,428	7,084
Capital Outlay	104,711	98,842	5,869	44,000	43,706	294
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	3,618,911	3,584,218	34,693	344,411	293,376	51,035
Excess of Revenues Over (Under) Expenditures	(240,615)	326,298	566,913	(108,151)	(34,193)	73,958
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	200	200				
Premium and Accrued Interest on Bonds Sold						
Proceeds from Sale of Bonds						
Transfers-In				1,200	1,200	
Transfer-Out		(65,208)	(65,208)			
Total Other Financing Sources (Uses)	200	(65,008)	(65,208)	1,200	1,200	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(240,415)	261,290	501,705	(106,951)	(32,993)	73,958
Fund Balances at Beginning of Year	1,046,225	1,046,225		126,714	126,714	
Prior Year Encumbrances Appropriated	70,596	70,596		10,323	10,323	
Fund Balances at End of Year	\$876,406	\$1,378,111	\$501,705	\$30,086	\$104,044	\$73,958

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service			Capital Project		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$210,000	\$196,359	(\$13,641)	\$31,996	\$49,736	\$17,740
27,090	18,265	(8,825)	9,018	9,056	38
<u>237,090</u>	<u>214,624</u>	<u>(22,466)</u>	<u>41,014</u>	<u>58,792</u>	<u>17,778</u>
			14,000	11,650	2,350
1,300	954	346	750	212	538
			386,831	383,667	3,164
55,000	55,000		4,780,000	4,780,000	
173,288	173,286	2	161,536	161,536	
<u>229,588</u>	<u>229,240</u>	<u>348</u>	<u>5,343,117</u>	<u>5,337,065</u>	<u>6,052</u>
7,502	(14,616)	(22,118)	(5,302,103)	(5,278,273)	23,830
53,903	56,495	2,592	161,539	161,539	
			4,779,997	4,779,997	
<u>53,903</u>	<u>56,495</u>	<u>2,592</u>	<u>4,941,536</u>	<u>4,941,536</u>	
61,405	41,879	(19,526)	(360,567)	(336,737)	23,830
99,820	99,820		4,848,577	4,848,577	
			47,031	47,031	
<u>\$161,225</u>	<u>\$141,699</u>	<u>(\$19,526)</u>	<u>\$4,535,041</u>	<u>\$4,558,871</u>	<u>\$23,830</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND EQUITY - PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Enterprise
Operating Revenue:	
Sales	\$111,892
Tuition	937
	112,829
Operating Expenses:	
Salaries & Wages	75,014
Fringe Benefits	26,230
Purchased Services	5,594
Materials and Supplies	100
Cost of Sales	73,018
Depreciation	2,300
	182,256
Total Operating Expenses	182,256
Net Income (Loss)	(69,427)
Non-Operating Revenues:	
Intergovernmental Revenue	36,353
Federal Donated Commodities	19,828
Interest	78
	56,259
Total Non-Operating Revenues	56,259
Income (Loss) before transfers	(13,168)
Transfer-In	60,000
	46,832
Net Income	46,832
Retained Earnings/Fund Equity at Beginning of Year	(4,736)
	\$42,096
Retained Earnings/Fund Equity at End of Year	\$42,096

See Accompanying Notes to the General Purpose Financial Statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2002**

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$112,829
Cash Payments for Employee Services and Benefits	(101,846)
Cash Payments to Suppliers for Goods and Services	<u>(63,627)</u>
Net Cash Used In Operating Activities	<u>(52,644)</u>
 Cash Flows from Capital Financing Activities:	
Cash Payments for Equipment	(10,988)
 Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	36,353
Other Non Operating Receipts	<u>60,000</u>
Net Cash Provided By Noncapital Financing Activities	96,353
 Cash Flows from Investing Activities:	
Interest	<u>78</u>
Net Cash Provided By Investing Activities	<u>78</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 32,799
 Cash and Cash Equivalents Beginning of Year	 <u>5,104</u>
 Cash and Cash Equivalents End of Year	 <u>37,903</u>
 Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating Income (Loss)	(69,427)
 Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
Depreciation	2,300
Donated Commodities Received	16,170
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory Held for Resale	(941)
Increase/(Decrease) in Accounts Payable	(144)
Increase/(Decrease) in Accrued Salaries Payable	1,067
Increase/(Decrease) in Intergovernmental Payable	(348)
Increase/(Decrease) in Compensated Absences Payable	<u>(1,321)</u>
Net Cash Used In Operating Activities	<u>(\$52,644)</u>

See Accompanying Notes to the General Purpose Financial Statements.

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT

Jackson Center Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 22 non-certificated employees, 43 certificated full time teaching personnel and 3 administrative employees to provide services to 577 students and other community members

The School 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 School District is the 588th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The School District does not have any component units.

The School District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Cooperative (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), Shelby County Local Professional Development Committee, and West Central Ohio Special Education Regional Resource Center (WCOSERRC), as jointly governed organizations.

The School District is also associated with the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools.

These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation - Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

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

General Fund

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

Special Revenue Funds

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

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

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds or trust funds).

2. Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those found in the private sector. The following is the School District's proprietary fund type:

Enterprise Fund

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

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: Property taxes available as an advance, taxpayer-assessed income taxes, interest, grants and student fees.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the object level of General Fund, Debt Service Fund, and Capital Project Fund. The legal level of budgetary control is at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total object appropriations within a fund (for General, Debt Service, and Capital Project) or the total of any fund appropriation (for all other funds) must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the enterprise fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the enterprise fund, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The balance of various grant activity administered by another governmental agency, and held with the fiscal agent outside the District Treasury, is presented on the balance sheet as "cash with fiscal agent," and represents deposits.

During fiscal year 2002, investments were limited to repurchase agreements, certificates of deposit, Federal Home Loan Bank Bonds, Federal Farm Credit Bank Bonds, Federal Home Mortgage Bonds, Federal Mortgage Corporation Bonds, Federal Mortgage Association Notes, and Money Market Funds.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$155,146, which includes \$28,243 assigned from other School District funds. In addition, the enterprise fund received \$78 in interest.

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

E. Inventory

Inventories of governmental funds are stated at cost while inventories of the enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the enterprise fund consist of donated food, purchased food, and purchased non-foods and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set aside by the School District for the purchase of school buses and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are capitalized and depreciated over the remaining useful lives of the related fixed assets.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

Non-Reimbursable Grants

Special Revenue Funds

Education Management Information Systems
Title VI-B
Title I
Title VI
Professional Development Grant
School Net Professional Development
Eisenhower Grant Title II
Education Learning Opportunity Grant
OhioReads

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Eisenhower Grant Title II
- Education Learning Opportunity Grant
- OhioReads
- Drug Free Grant Title IV
- Title VI-R
- School Improvement Incentive
- Summer School Grant
- Baldrige Grant
- School Network Connectivity Grant
- Disadvantage Pupil Impact Grant
- Capital Projects**
- School Net Plus

Reimbursable Grants

Special Revenue Fund

- Telecommunications Act Grant

Proprietary Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 39.1 percent of the School District's governmental fund revenue during the 2002 fiscal year.

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "interfund receivables/payables".

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The School District records a liability for accumulated unused sick leave for employees after ten years of current service.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees unpaid leave are paid. The remainder is reported in the general long-term obligation account group. These amounts are recorded in the account "compensated absences payable". In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available resources. Bonds and long-term loans are reported as a liability of the general long-term debt account group until due. Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the appropriate funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. Transfers in/out do not equal due to transactions with Agency funds.

M. Fund Balance Reserves

The School District records reservations for portions of fund equity, which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods.

Fund equity reserves are established for encumbrances, inventories of supplies and material, school bus purchases, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but no available for appropriations under State statute. The reserve for budget stabilization represents the District's portion of Bureau of Workers Compensation refunds.

N. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

O. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for the governmental fund types

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Fund**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 205,817	\$ (32,497)	\$ 53,191	\$ 4,449,405
Revenue Accruals	68,446	(30,172)	(11,312)	1,496
Expenditure Accruals	61,818	42,733	-	3,835
Note Retirement	-	-	-	(4,780,000)
Encumbrances Outstanding at Year End (Budget Basis)	(74,791)	(13,057)	-	(11,473)
Budget Basis	<u>\$ 261,290</u>	<u>\$ (32,993)</u>	<u>\$ 41,879</u>	<u>\$ (336,737)</u>

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Interim 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 or interest by the United States;
2. Bonds, notes debentures, or any other obligations or security 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 the 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; and
6. The State Treasurer's investment pool (STAR Ohio)

Investments in stripped principal or interest obligation, 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 School District, and must be purchased with the expectation that it will be held to maturity.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the School District had \$150 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$2,780 shown in the special revenue funds and debt service fund is maintained with the Shelby County Educational Service Center and Bank One respectively. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$530,986 and the bank balance was \$576,009. Of the bank balance, \$200,000 was covered by federal depository insurance; and \$376,009 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School held to a successful claim by the FDIC.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name.

	Category 2	Category 3	Carrying/ Fair Value
Repurchase Agreements	\$ -	\$ 921,268	\$ 921,268
Federal Home Loan Bank Bonds	1,219,553	-	1,219,553
Federal Farm Credit Bank Bonds	749,400	-	749,400
Federal Home Mortgage Bonds	1,897,749	-	1,897,749
Federal Mortgage Corporation Bonds	99,590	-	99,590
Federal National Mortgage Association	906,766	-	906,766
Money Market	-	9,393	9,393
Totals	<u>\$ 4,873,058</u>	<u>\$ 930,661</u>	<u>\$ 5,803,719</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) and investments for purposes of the note above is based on criteria set forth in GASB Statement No. 3.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the general purpose financial statements and the classifications per GASB Statement No. 3 is as follows:

	Cash/ Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 6,337,635	\$ -
Cash on Hand	(150)	-
Cash Held by Agent	(2,171)	-
Cash Held by Bond Agent	(609)	-
Repurchase Agreements	(921,268)	921,268
Federal Home Loan Bonds	(1,219,553)	1,219,553
Federal Farm Credit Bank Bonds	(749,400)	749,400
Federal Home Mortgage Bonds	(1,897,749)	1,897,749
Federal Mortgage Corporation Bonds	(99,590)	99,590
Federal National Mortgage Assoc	(906,766)	906,766
Money Market	(9,393)	9,393
GASB Statement 3	\$ 530,986	\$ 5,803,719

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) is for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2002.

Public utility tangible personal property currently is assessed at varying percentage of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are 25 percent of true value.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. PROPERTY TAXES

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 earlier or later payment dates to be established. Tangible personal property taxes paid 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.

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential And Other Real Estate	\$35,963,763	66%	\$35,963,770	66%
Public Utility	3,780,490	7	2,993,970	7
Tangible Personal Property	15,277,897	27	17,503,420	27
Total Assessed Value	<u>\$55,022,150</u>	<u>100%</u>	<u>\$56,461,160</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$42.00		\$47.5	

The first collection year was 2002, for the 5.5 mill voted tax levy for permanent improvements.

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

The School District receives property taxes from Shelby, Auglaize, and Logan County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes, which became available as of June 30, 2002. Although total property tax allocations for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended and finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$88,053 in the general fund, \$19,411 in the bond retirement debt service fund and \$2,715 in the capital improvement fund.

6. RECEIVABLES

Receivables at June 30, 2002, consisted of property and income taxes, accounts (billings for user charged services and student fees), interest, inter-fund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$98,814
Less Accumulated Depreciation	(79,427)
Net Fixed Assets	\$19,387

A summary of the change in general fixed assets during fiscal year 2002 follows:

Asset Category	Balance at 06/30/01	Additions	Deletions	Balance at 06/30/02
Land and Improvements	\$38,002	\$19,104	\$ -	\$57,106
Buildings and Improvements	904,246	43,470	-	947,716
Furniture/Fixtures/Equipment	804,502	123,175	(44,419)	883,258
Vehicles	227,797	112,048	(57,046)	282,799
Totals	\$1,974,547	\$297,797	\$(101,465)	\$2,170,879

8. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with Selective Insurance Company through Marsh Insurance Agency for property and fleet insurance, and inland marine coverage. The School District contracted with Selective Insurance Company through Marsh Insurance Agency for liability insurance.

Coverages provided by Selective Insurance Company are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$14,318,200
Automobile Liability	2,000,000
Uninsured Motorists	1,000,000

Coverages provided by Selective Insurance Company are as follows:

General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from prior years.

B. Medical, Dental and Life Insurance Benefits

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 15) consisting of seven school districts and an educational service center. The District pays monthly premiums to Anthem Blue Cross/Blue Shield for medical and dental benefits, and also pays monthly premium to Medical Life for life insurance benefits

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

8. RISK MANAGEMENT – (Continued)

C. Worker's Compensation

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Cooperative, Workers' Compensation Group Grating Program, an insurance purchasing pool (Note 15). The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

Each participant pays its rate. Total savings are then calculated and each participant's individual performances are compared to the overall savings percent of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year.

The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the School District pays an enrollment fee to the Plan to cover the costs of administering the program.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code.

SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the Jackson Center Local School District is required to contribute 14 percent. For fiscal year 2002, 5.46 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory requirements, by the SERS's Retirement Board.

The School District's contributions to SERS for the fiscal years ending June 30, 2002, 2001, and 2000 were \$26,945, \$17,246 and \$28,391 respectively; 45.95 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$14,564 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term debt account group.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. DEFINED BENEFIT PENSION PLANS – Continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's contributions to STRS for the fiscal years ending June 30, 2002, 2001, and 2000 were \$177,612, \$168,730 and \$103,367, respectively; 83.45 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$29,390 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

10. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified 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.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$84,132 during the 2002 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 million at June 30, 2001 (latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

10. POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.70 million. SERS has approximately 50,000 participants currently receiving health care benefits.

For the School District, the amount to fund health care benefits, including the surcharge, equaled \$51,807 during the 2002 fiscal year.

11. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 170 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days for certified employees and 35 days for classified employees.

B. Health Care Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life. The School District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Dental insurance is provided by the School District to most employees through Anthem. Vision care insurance is provided by the School District to most employees through VisionPlus.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

12. SHORT-TERM OBLIGATIONS

The District issued a short-term note on June 13, 2001 for \$4,780,000 at a rate of 3.53% to mature on December 13, 2001. The note is in anticipation of a long-term bond for the improvement of the District's buildings. The District residents have approved a bond levy to finance \$4,780,000 in improvements to the District. Bonds were issued on September 17, 2001.

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
School Improvement Bond 1980	\$ 170,000	\$ -	\$ 55,000	\$ 115,000
School Improvement Bond 2001				
Serial Bonds - 2.6 -4.2%	-	1,400,000	-	1,400,000
Term Bonds - 4 - 9.5%	-	3,340,000	-	3,340,000
Original Issue of Capital:				-
Appreciation Bonds	-	40,000	-	40,000
Accretion	-	9,681	-	9,681
School Improvement Bond 2001				
Face Value	-	4,789,681	-	4,789,681
Capital Appreciation Bond Premium	-	247,702	-	247,702
Total School Improvement Bond 2001	-	5,037,383	-	5,037,383
Capital Bus Lease	-	55,016	-	55,016
Total Long Term Debt	170,000	5,092,399	55,000	5,207,399
Intergovernmental Payable	31,715	28,706	31,715	28,706
Compensated Absences	204,324	-	32,402	171,922
Total General Long-Term Obligations	<u>\$ 406,039</u>	<u>\$ 5,121,105</u>	<u>\$ 119,117</u>	<u>\$ 5,408,027</u>

School Building Addition General Obligation Bonds – In 1980, the School District issued \$1,272,000 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 bonds were issued for a twenty-three year period with final maturity at December 1, 2003. The bonds will be retired from the Debt Service fund.

School Building Addition General Obligation Bonds – In 2001, the School 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.

A. 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:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

Year	Amount
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:

Year	Amount
2021	230,000
2022	240,000
2023	250,000
2024	265,000
2025	275,000
2026	290,000
2027	305,000

B. Serial Bonds

The serial bonds maturing on December 1, 2011, and thereafter, are subject to redemption at the option of the School 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.

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

The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000. For fiscal year 2002, \$9,681 was accreted for total bond value of 297,383.

Capital Bus Lease

The District entered into a capital bus lease with Blue Bird Body Company for the lease of two school buses. The lease is for a three-year period. Annual payments are \$14,727 per bus lease.

Intergovernmental Payable

Intergovernmental payable consists of SERS and SERS surcharge liabilities that will not be paid with current available expendable financial resources, and will be paid from the fund from which the employees' salaries are paid.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. LONG-TERM OBLIGATIONS – (Continued)

Compensated Absences

Compensated absences will be paid from the fund from which the employees' salaries are paid. This includes possible sick leave severance, accumulated vacation and separation severance.

The School District's overall legal debt margin was \$5,081,504 and un-voted debt margin of \$56,461 at June 30, 2002.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, are as follows:

Year Ending June 30	1980 Bonds	2001 Bonds	Capital Lease	Total
2003	\$ 62,109	\$ 334,053	\$ 29,454	\$ 425,616
2004	62,438	335,711	29,454	427,603
2005	-	336,915	-	336,915
2006	-	332,787	-	332,787
2007	-	333,346	-	333,346
2008-2012	-	1,669,248	-	1,669,248
2013-2017	-	1,672,270	-	1,672,270
2018-2022	-	1,665,197	-	1,665,197
2023-2027	-	1,647,500	-	1,647,500
2028-2029	-	656,625	-	656,625
Totals	<u>\$ 124,547</u>	<u>\$ 8,983,652</u>	<u>\$ 58,908</u>	<u>\$ 9,167,107</u>

14. JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO) – The Jackson Center Local School District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of WOCO consists of two representatives from each School elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent.

WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the School District. The School District paid WOCO \$14,409 services provided during the year. Financial information can be obtained from Sonny Ivy, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Cooperative – The Southwestern Ohio Educational Purchasing Cooperative (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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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. Any district withdrawing from the SOEPC shall forfeit its claim to may 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 made from the General Fund amount to \$522. To obtain financial information, write the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (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 institution. 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 as 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.

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. During fiscal year 2002, the School District paid \$968 to SOITA. 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 - The West Central Ohio Special Education Regional Resource Center (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 the Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS – (Continued)

Shelby County Local Professional Development Committee - The School District is a participant in the Shelby County Local Professional Development Committee (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 up 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

15. GROUP PURCHASING POOLS

Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Southwestern Ohio EPC established this pool and CompManagement provides consultant services in the management of the program. Each year, the participating school districts pay an enrollment fee to the Southwestern Ohio EPC to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. This group purchasing pool formed a voluntary employee benefit association to provide sick and dental and life benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to Anthem Blue Cross/Blue Shield for health and dental coverage and to Medical Life for life coverage. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

16. GRANTS

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

17. SET-ASIDE CALCULATIONS

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. SET-ASIDE CALCULATIONS (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and instructional materials, and capital improvements from the end of the prior year to the end of the current year. Disclosure of this information is required by State statute. We have also disclosed the change in reserve for school bus purchases.

	<u>Textbook</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance June 30, 2002	\$ 4,312	\$ (9,169)	\$ 11,127
Current Year Set-aside Requirement	69,331	69,331	
Current Year Offsets		(4,780,000)	
Qualifying Disbursements	(74,440)	(69,331)	-
Set-aside Carried forward to July 1, 2003	<u>\$ (797)</u>	<u>\$ (4,789,169)</u>	<u>\$ 11,127</u>
Amount Restricted for Bus Purchase			<u>\$ 6,079</u>

The cash carried forward for budget stabilization, represents the Bureau of Workers Compensation rebates received in previous years

18. SUBSEQUENT EVENTS

On August 5, 2002 the following contracts were awarded for the construction/renovations of the Jackson Center School District buildings.

Contractor	Purpose	Amount Remaining
Baumer Construction	General Contractor	\$ 2,528,700
Noll-Fisher	Plumbing	194,270
Central Fire Protection, Inc.	Fire Protection	59,070
Griffith Sheet Metal	HVAC	718,000
Koester Electric, Inc	Electrical	632,800
Farnham Equipment Company	Casework	101,600
Tuttle Construction	Tackboard/Markerboard	25,000
Total Commitments		<u>\$ 4,259,440</u>

19. SCHOOL FUNDING COURT DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed " ...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

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

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**Auditor of State
Betty Montgomery**

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

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

To the Members of the Board:

We have audited the financial statements of Jackson Center Local School District, Shelby County, (the District) as of and for the years ended June 30, 2003 and 2002, and have issued our report thereon dated November 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings, as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 26, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 26, 2003.

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

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

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

Betty Montgomery
Auditor of State

November 26, 2003

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002**

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Repaid Under Audit Number 2003-001

The Board approved certified employee salary schedule for the 2002-2003 school year presents the compensation of a teacher with a Masters degree in education plus 15 and 14 years of experience. Roger EcEldowney, a teacher, was entitled to a salary of \$48,274, but due to an error in salary calculation, was compensated for a teacher with a Masters degree in education plus 15 and 15 years of experience which amounted to \$49,579, thus resulting in a salary overpayment of \$1,305.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for the salary overpayment is hereby issued against Roger EcEldowney, teacher; Mike Watkins, treasurer; and The Ohio Casualty Insurance Company, his bonding company, jointly and severally, in the amount of one thousand three hundred and five (\$1,305) in favor of the of the Jackson Center Local School District General Fund.

Mr. EcEldowney has made arrangements with the District to repay the finding biweekly over the next 26 pays starting with pay period September 5, 2003.

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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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
JANUARY 15, 2004**