



Mary Taylor, CPA
Auditor of State

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2009.....	3
Basic Financial Statements For the Fiscal Year Ended June 30, 2009:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2009.....	13
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2009.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds – June 30, 2009.....	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2009.....	16
Statement of Receipts, Disbursements, and Change in Fund Balance Budget and Actual – Budget Basis – General Fund - For the Fiscal Year Ended June 30, 2009.....	17
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Fund – June 30, 2009.....	18
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2009.....	19
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2008.....	38
Basic Financial Statements For the Fiscal Year Ended June 30, 2008:	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis – June 30, 2008.....	47
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2008.....	48
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds – June 30, 2008.....	49
Statement of Cash Receipts, Disbursements, and Changes In Fund Balances - Cash Basis - Governmental Funds – For the Fiscal Year Ended June 30, 2008.....	50
Statement of Receipts, Disbursements, and Change in Fund Balance Budget and Actual – Budget Basis - General Fund - For the Fiscal Year Ended June 30, 2008.....	51

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds – June 30, 2008.....	52
Notes to the Financial Statements for the Fiscal Year Ended June 30, 2008	53
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required By <i>Government Auditing Standards</i>	73
Schedule of Findings.....	75
Schedule of Prior Audit Findings.....	76
Independent Account's Report on Applying Agreed-Upon Procedures.....	77



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County (the District), as of and for the fiscal years ended June 30, 2009 and 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, as of June 30, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund for the years ended June 30, 2009 and 2008, in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

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

Mary Taylor, CPA
Auditor of State

November 3, 2009

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED**

The discussion and analysis of the Jackson Center Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$98,236 which represents a 9.69% decrease from 2008. Factors contributing to this decrease include a reduction in tax, intergovernmental, and interest revenue.
- General cash receipts accounted for \$4,329,928 or 79.75% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions, accounted for \$1,099,462 or 20.25% of total governmental activities cash receipts of \$5,429,390.
- The District had \$5,527,626 in cash disbursements related to governmental activities; \$1,099,462 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,329,928 were not adequate to provide for these programs.
- The General Fund had \$4,482,605 in cash receipts and \$4,543,710 in cash disbursements and other financing uses. During fiscal year 2009, the General Fund's fund cash balance decreased \$61,105 from \$807,388 to \$746,283.
- The Bond Retirement fund had \$371,657 in cash receipts and \$338,013 in cash disbursements. During fiscal year 2009, the Bond Retirement Fund's fund cash balance increased \$33,644 from \$85,481 to \$119,125.

Using these Cash Basis Basic Financial Statements

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Bond Retirement Fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross revenues and expenses on the fund financial statements to the state of activities – cash basis due to transfers between governmental funds being eliminated for reporting in the statement of activities – cash basis. The governmental fund statements can be found on pages 15-16 of this report.

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities 2009	Governmental Activities 2008
Assets		
Equity in Pooled Cash and Cash Equivalents	\$915,516	\$1,013,752
Total Assets	<u>915,516</u>	<u>1,013,752</u>
Net Assets		
Restricted	179,709	206,364
Unrestricted	735,807	807,388
Total Net Assets	<u><u>\$915,516</u></u>	<u><u>\$1,013,752</u></u>

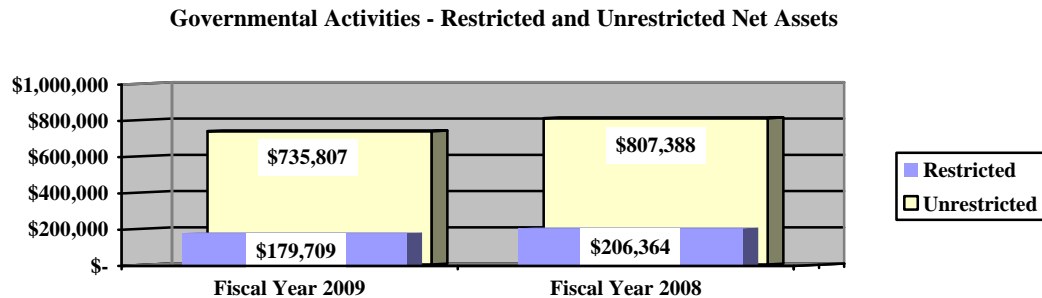
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's total net assets were \$915,516.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

A portion of the District's net assets, \$179,709 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$735,807 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net assets for fiscal year 2009 and 2008.



The table below shows the change in net assets for fiscal year 2009 and 2008:

	Change in Net Cash Assets	
	Governmental Activities 2009	Governmental Activities 2008
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 702,306	\$ 606,488
Operating Grants and Contributions	392,435	481,170
Capital Grants and Contributions	4,721	2,406
General Cash Receipts:		
Property Taxes	1,960,398	2,018,193
Grants and Entitlements	2,220,371	2,378,398
Investment Earnings	8,472	48,476
Other	140,687	264,487
Total Cash Receipts	\$5,429,390	\$5,799,618

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
Cash Disbursements:		
Program expenses:		
Instruction:		
Regular	\$2,373,277	\$2,406,396
Special	515,668	471,387
Vocational	4,981	24,256
Support Services:		
Pupil	248,519	209,030
Instructional Staff	174,916	215,922
Board of Education	12,342	11,044
Administration	403,723	381,007
Fiscal	241,107	298,609
Operations and Maintenance	553,638	480,528
Pupil Transportation	259,301	177,637
Central	500	
Operation of non-instructional services:		
Food Service Operations	210,586	212,564
Extracurricular Activities	180,288	170,714
Facilities Acquisition and Construction	6,911	93,338
Debt Service:		
Principal Retirement	153,000	148,000
Interest and Fiscal Charges	188,869	194,071
Total Cash Disbursements	<u>5,527,626</u>	<u>5,494,503</u>
Change in Net Assets	<u>(98,236)</u>	<u>305,115</u>
Net Assets at Beginning of Year	<u>1,013,752</u>	<u>708,637</u>
Net Assets at end of Year	<u>\$ 915,516</u>	<u>\$1,013,752</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$98,236. Total governmental cash disbursements of \$5,527,626 were offset by program cash receipts of \$1,099,462 and general cash receipts of \$4,329,928. Program cash receipts supported 19.89% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These cash receipts sources represent 77.00% of total governmental cash receipts.

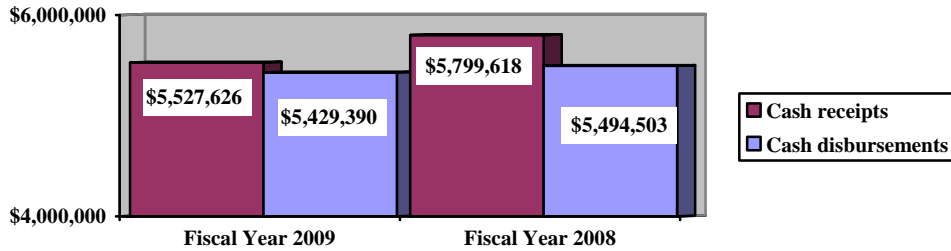
The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$2,893,926 or 52.35% of total governmental cash disbursements for fiscal 2009.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal year 2009 and 2008.

Governmental Activities - Cash Receipts and Disbursements



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

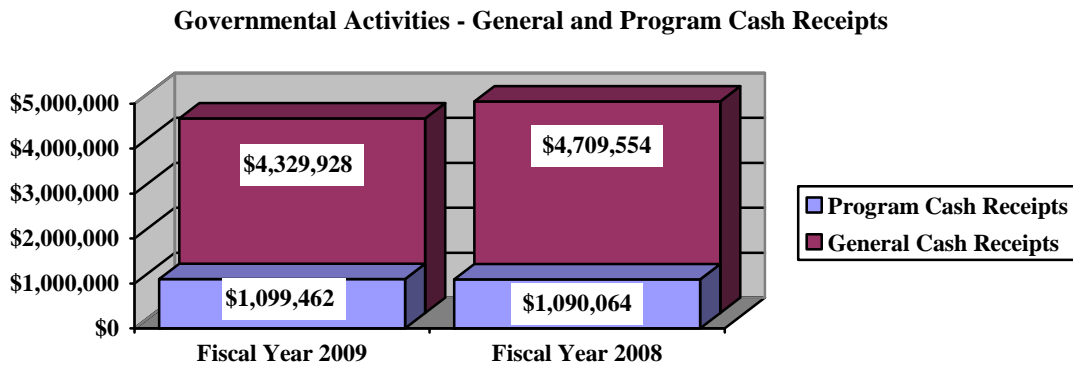
Governmental Activities				
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program cash disbursements:				
Instruction:				
Regular	\$2,373,277	\$1,855,815	\$2,406,396	\$1,952,967
Special	515,668	335,074	471,387	240,242
Vocational	4,981	3,455	24,256	13,445
Support services:				
Pupil	248,519	175,448	209,030	105,471
Instructional staff	174,916	165,435	215,922	214,585
Board of education	12,342	12,342	11,044	7,083
Administration	403,723	403,723	381,007	381,007
Fiscal	241,107	236,107	298,609	287,609
Operations and maintenance	553,638	553,638	480,528	480,528
Pupil transportation	259,301	245,762	177,637	177,637
Central	500	500		
Operation of non-instructional services:				
Food service operations	210,586	11,957	212,564	20,518
Extracurricular activities	180,288	80,128	170,714	87,938
Facilities acquisition and construction	6,911	6,911	93,338	93,338
Debt service:				
Principal retirement	153,000	153,000	148,000	148,000
Interest and fiscal charges	188,869	188,869	194,071	194,071
Total cash disbursements	\$5,527,626	\$4,428,164	\$5,494,503	\$4,404,439

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

The dependence upon tax and other general cash receipts for governmental activities is apparent, 75.83% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 80.11%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities cash receipts for fiscal year 2009 and 2008.



The District's Funds

The District's governmental funds reported a combined fund balance of \$915,516, which is lower than last year's total of \$1,013,752. The schedule below indicates the fund balance and the total change in fund cash balance as of June 30, 2009 and 2008.

	<u>Fund Balance June 30, 2009</u>	<u>Fund Balance June 30, 2008</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$746,283	\$ 807,388	(\$61,105)	(7.57) %
Debt Service	119,125	85,481	33,644	39.36 %
Other Governmental	50,108	120,883	(70,775)	(58.55) %
Total	<u>\$915,516</u>	<u>\$1,013,752</u>	<u>(\$98,236)</u>	<u>(9.69) %</u>

General Fund

The District's General Fund balance decreased \$61,105. The decrease in fund balance can be attributed to several items related to decreasing cash receipts and increased cash disbursements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

The table that follows assists in illustrating the cash financial activities of the General Fund.

	2009 Amount	2008 Amount	Increase (Decrease)	Percentage Change	
Cash Receipts					
Taxes	\$1,636,109	\$1,696,080	(\$59,971)	(3.54)	%
Tuition	432,873	353,003	79,870	22.63	%
Earnings on investments	8,472	48,476	(40,004)	(82.52)	%
Intergovernmental	2,227,644	2,427,208	(199,564)	(8.22)	%
Other revenues	177,507	295,180	(117,673)	(39.86)	%
Total	<u>4,482,605</u>	<u>4,819,947</u>	<u>(337,342)</u>	(7.00)	%
Cash Disbursements					
Instruction	2,735,302	2,723,027	12,275	0.45	%
Support services	1,701,954	1,645,385	56,569	3.44	%
Extracurricular activities	86,198	80,720	5,478	6.79	%
Facilities acquisition and construction	5,256	34,583	(29,327)	(84.80)	%
Total	<u>\$4,528,710</u>	<u>\$4,483,715</u>	<u>\$44,995</u>	1.00	%

Bond Retirement Fund

The Bond Retirement Fund had cash receipts of \$371,657 in fiscal year 2009. This represents an increase of \$10,618 from fiscal year 2008. The cash disbursements of the bond retirement fund, which totaled \$338,013 in fiscal year 2009, decreased \$2,842 from fiscal year 2008. The net increase in fund balance for the Bond Retirement Fund was \$33,644 or 39.36%.

General Fund Budgeting Highlights

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

For the general fund, original and final budgeted revenues were \$4,323,200. Actual revenues for fiscal 2009 were \$4,482,605. This represents a \$159,405 increase from final budgeted revenues.

General Fund original appropriations (appropriated expenditures including other financing uses) of \$4,522,909 were increased to \$4,642,909 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$4,600,399, which was \$42,510 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2009, the District had \$4,021,734 in general obligation bonds and \$16,000 in notes payable. Of this total, \$158,000 is due within one year and \$3,879,734 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End		
	Governmental Activities 2009	Governmental Activities 2008
General obligation bonds	\$4,021,734	\$4,128,643
Permanent improvement anticipation note	16,000	24,000
Total	\$4,037,734	\$4,152,643

At June 30, 2009, the District's overall legal debt margin was \$692,881, and an unvoted debt margin of \$49,208.

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

Current Financial Related Activities

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

The District successfully passed an additional 7.5 mil, 5 year limited, operating levy on the November 2006 ballot. The impact of this passage was significant as it would allow the District to continue positive operations for the next five years as long as the assumptions of the latest Five Year Forecast remained reasonably accurate. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future. The District does not currently have a District income tax but will need to seriously consider that option the next time operating funds are needed.

Another equally challenging situation is the District's enrollment. The District's enrollment which had seen declines in recent years stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 18-20 students, but we lost a few again in fiscal year 2008. The District only lost one student in fiscal year 2009. A decrease in overall revenues caused the District to recognize a negative cash flow for fiscal year 2009. A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing development in the village to help the school population. Due to this endeavor a new housing development has been started with 6 new houses having been constructed as of the June 30, 2008 report. The group is very early in its endeavor so the long term results are yet to be seen. The District has recently experienced an increase of students leaving via Open Enrollment and is striving to enhance the academic environment in order to reduce the number of students Open Enrolling elsewhere. This effort is also an attempt to encourage additional open enrollment students to choose the District.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jackson Center Local District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$915,516
Total Assets	915,516
 Net Assets:	
Restricted for:	
Capital Projects	3,721
Debt Service	119,125
Locally Funded Programs	1,064
State Funded Programs	2,978
Federally Funded Programs	959
District Managed Student Activities	28,483
Other Purposes	23,379
Unrestricted	735,807
Total Net Assets	\$915,516

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Cash Disbursements</u>	<u>Program Cash Receipts</u>			<u>Changes in Net Cash Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$2,373,277	\$472,291	\$45,171		(\$1,855,815)
Special	515,668		180,594		(335,074)
Vocational	4,981		1,526		(3,455)
Support Services:					
Pupil	248,519		73,071		(175,448)
Instructional Staff	174,916		9,481		(165,435)
Board of education	12,342				(12,342)
Administration	403,723				(403,723)
Fiscal	241,107		5,000		(236,107)
Operations and Maintenance	553,638				(553,638)
Pupil Transportation	259,301		8,818	\$4,721	(245,762)
Central	500				(500)
Operation of non-instructional services:					
Food Service Operations	210,586	134,222	64,407		(11,957)
Extracurricular Activities	180,288	95,793	4,367		(80,128)
Facilities Acquisition and Construction	6,911				(6,911)
Debt Service:					
Principal Retirement	153,000				(153,000)
Interest and Fiscal Charges	188,869				(188,869)
Total Governmental Activities	\$5,527,626	\$702,306	\$392,435	\$4,721	(4,428,164)
General Cash Receipts:					
Property Taxes Levied for:					
					1,636,109
					282,896
					41,393
					2,220,371
					8,472
					140,687
					<u>4,329,928</u>
					(98,236)
					<u>1,013,752</u>
					<u>\$915,516</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:				
Equity in Pooled Cash and Cash Equivalents	\$746,283	\$119,125	\$50,108	\$915,516
Total Assets	<u>746,283</u>	<u>119,125</u>	<u>50,108</u>	<u>915,516</u>
Fund Balances:				
Reserved for Encumbrances	56,689		6,646	63,335
Reserved for Debt Service		119,125		119,125
Unreserved:				
Unreserved, Undesignated, Reported in:				
General Fund	689,594			689,594
Special Revenue Funds			41,452	41,452
Capital Projects Funds			2,010	2,010
Total Fund Balances	<u>\$746,283</u>	<u>\$119,125</u>	<u>\$50,108</u>	<u>\$915,516</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
From Local Sources:				
Taxes	\$1,636,109	\$282,896	\$41,393	\$1,960,398
Tuition	432,873			432,873
Charges for Services			134,222	134,222
Earnings on Investments	8,472			8,472
Extracurricular			95,793	95,793
Classroom Materials and Fees	30,571			30,571
Gifts and Donations	86,486		4,367	90,853
Other	60,450		2,598	63,048
Intergovernmental	2,227,644	88,761	296,755	2,613,160
Total Cash Receipts	<u>4,482,605</u>	<u>371,657</u>	<u>575,128</u>	<u>5,429,390</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,311,148		62,129	2,373,277
Special	419,173		96,495	515,668
Vocational	4,981			4,981
Support Services:				
Pupil	175,448		73,071	248,519
Instructional Staff	164,680		10,236	174,916
Board of Education	10,542		1,800	12,342
Administration	403,723			403,723
Fiscal	230,719	4,897	5,491	241,107
Operations and Maintenance	531,515		22,123	553,638
Pupil Transportation	185,327		73,974	259,301
Central			500	500
Operation of Non-Instructional Services:				
Food Service Operations			210,586	210,586
Extracurricular Activities	86,198		94,090	180,288
Facilities Acquisition and Construction	5,256		1,655	6,911
Debt Service:				
Principal Retirement		145,000	8,000	153,000
Interest and Fiscal charges		188,116	753	188,869
Total Cash Disbursements	<u>4,528,710</u>	<u>338,013</u>	<u>660,903</u>	<u>5,527,626</u>
Cash Receipts Over (Under) Cash Disbursements	<u>(46,105)</u>	<u>33,644</u>	<u>(85,775)</u>	<u>(98,236)</u>
Other Financing sources (Uses):				
Transfers In			15,000	15,000
Transfers (Out)	(15,000)			(15,000)
Total Other Financing Sources (Uses)	<u>(15,000)</u>		<u>15,000</u>	
Net Change in Fund Balances	(61,105)	33,644	(70,775)	(98,236)
Fund Balances at Beginning of Year	807,388	85,481	120,883	1,013,752
Fund Balances at End of Year	<u>\$746,283</u>	<u>\$119,125</u>	<u>\$50,108</u>	<u>\$915,516</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
From Local Sources:				
Taxes	\$1,696,080	\$1,696,080	\$1,636,109	(\$59,971)
Tuition	312,845	312,845	432,873	120,028
Earnings on Investments			8,472	8,472
Classroom Materials and Fees	31,000	31,000	30,571	(429)
Other	121,626	121,626	146,936	25,310
Intergovernmental	2,161,649	2,161,649	2,227,644	65,995
Total Receipts	<u>4,323,200</u>	<u>4,323,200</u>	<u>4,482,605</u>	<u>159,405</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,406,900	2,470,759	2,325,462	145,297
Special	377,693	387,714	419,173	(31,459)
Vocational	4,130	4,240	5,091	(851)
Support Services:				
Pupil	109,069	111,963	175,853	(63,890)
Instructional Staff	202,922	208,306	164,705	43,601
Board of Education	10,185	10,455	10,886	(431)
Administration	386,515	396,770	405,558	(8,788)
Fiscal	276,619	283,958	237,673	46,285
Operations and Maintenance	478,973	491,681	554,932	(63,251)
Pupil transportation	136,902	140,534	194,612	(54,078)
Extracurricular Activities	83,001	85,203	86,198	(995)
Facilities Acquisition and Construction	25,000	25,663	5,256	20,407
Total Disbursements	<u>4,497,909</u>	<u>4,617,246</u>	<u>4,585,399</u>	<u>31,847</u>
Excess of Receipts (Under) Disbursements	<u>(174,709)</u>	<u>(294,046)</u>	<u>(102,794)</u>	<u>191,252</u>
Other Financing (Uses):				
Transfers (Out)	(25,000)	(25,663)	(15,000)	10,663
Total Other Financing (Uses)	<u>(25,000)</u>	<u>(25,663)</u>	<u>(15,000)</u>	<u>10,663</u>
Net Change in Fund Balance	(199,709)	(319,709)	(117,794)	201,915
Fund Balance at Beginning of Year	760,385	760,385	760,385	
Prior Year Encumbrances Appropriated	47,003	47,003	47,003	
Fund Balance at End of Year	<u>607,679</u>	<u>487,679</u>	<u>689,594</u>	<u>201,915</u>

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$19,591
Total Assets	<u>19,591</u>
Liabilities:	
Due to Students	19,591
Total Liabilities	<u>\$19,591</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. DESCRIPTION OF THE DISTRICT

The Jackson Center Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 26 non-certificated employees, 41 certificated full-time teaching personnel and 3 administrative employees to provide services to 521 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The District is the 622nd largest in the State of Ohio (among 922 school districts) in terms of enrollment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO) - WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$43,655 to WOCO during fiscal year 2009. Financial information is available from Louis Ivey, who serves as Director at 129 East Court Street, Sidney, Ohio 45365.

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

2. Insurance Purchasing Pools

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as governmental or fiduciary.

1. Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fiduciary Funds

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

D. Basis of Presentation

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

- 1. Government-wide Financial Statements** - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or receipts or other non exchange transactions.

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

- 2. Fund Financial Statements**

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

E. Budgetary Process

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2009, investments were limited to repurchase agreements. Non-participating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$8,472, which includes \$1,782 assigned from other funds.

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

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

J. Fund Balance Reserves

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

K. Net Assets/Restricted Assets

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

L. Inventory and Prepaid Items

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

M. Employer Contributions to Cost-Sharing Pension Plans

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

N. Interfund Activity

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

O. Receipts and Disbursements

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$63,420. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the District's entire bank balance of \$125,018 is covered by Federal Deposit Insurance Corporation.

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

C. Investments

As of June 30, 2009, the District had the following investment and maturity:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
Repurchase Agreement	\$871,573	\$871,537

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District had no investment policy dealing with investments custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$871,537	100.00%

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2009:

Cash per footnote	
Carrying amount of deposits	\$ 63,420
Investments	871,537
Cash on hand	150
Total	\$935,107
 Cash per Statement of Net Assets	
Governmental activities	\$915,516
Agency funds	19,591
Total	\$935,107

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

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

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

<u>Net Change In Fund Balance</u>	
Cash Basis	(\$ 61,105)
Adjustment of Encumbrances	<u>(56,689)</u>
Budget Basis	<u>(\$117,794)</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers to non-major governmental funds from:	
General fund	<u>\$15,000</u>

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

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

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

6. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2009, on the value as of December 31, 2008. For 2008, tangible personal property is assessed at 6.25% for property including inventory. This percentage will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 First Half Collections		2009 Second Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$43,705,280	89.06	\$47,108,460	95.33
Public utility personal	2,011,930	4.10	2,167,160	4.39
Tangible personal property	3,357,360	6.84	140,220	0.28
Total	\$49,074,570	100.00	\$49,415,840	100.00
Tax rate per \$1,000 of assessed valuation	53.20		53.20	

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2008	Additions	Reductions	Balance Outstanding June 30, 2009	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
School improvement bonds:					
Serial bonds	\$ 620,000		(\$145,000)	\$ 475,000	\$150,000
Term bonds	3,340,000			3,340,000	
Capital appreciation bonds	40,000			40,000	
Accretion on capital bonds	128,643	\$38,091		166,734	
Total bonds payable	<u>4,128,643</u>	<u>38,091</u>	<u>(145,000)</u>	<u>4,021,734</u>	<u>150,000</u>
Permanent improvement anticipation notes	24,000		(8,000)	16,000	8,000
Total bonds payable	<u>\$4,152,643</u>	<u>\$38,091</u>	<u>(\$153,000)</u>	<u>\$4,037,734</u>	<u>\$158,000</u>

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

Permanent Improvement Anticipation Notes - During 2006, the District signed a \$40,000 note for the purchase of adjacent residential property. The note was issued February 1, 2006 and carries an interest rate of 3.74%. The note will mature on December 1, 2010 and will be retired from the Permanent Improvement Capital Projects Fund (a non-major capital project fund).

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2009, are as follows:

Year Ended	General Obligation Term/Serial Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 150,000	\$ 182,326	\$ 332,326			
2011	160,000	176,046	336,046			
2012	165,000	169,301	334,301			
2013		319,628	319,628	\$16,207	\$153,793	\$170,000
2014		322,695	322,695	13,140	156,860	170,000
2015 - 2019	740,000	918,452	1,658,452	10,653	159,347	170,000
2020 - 2024	1,145,000	511,942	1,656,942			
2025 - 2029	1,455,000	156,137	1,611,137			
Total	<u>\$3,815,000</u>	<u>\$2,756,527</u>	<u>\$6,571,527</u>	<u>\$40,000</u>	<u>\$470,000</u>	<u>\$510,000</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

Permanent Improvement Anticipation Notes

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 8,000	\$449	\$ 8,449
2011	8,000	150	8,150
Total	\$16,000	\$599	\$16,599

1. Term Bonds

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

<u>Year</u>	<u>Amount</u>
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:

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

2. Serial Bonds

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2009 is \$166,734.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$692,881 (including available funds of \$119,125) and an unvoted debt margin of \$49,208.

8. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A.) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

8. RISK MANAGEMENT (Continued)

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Dental and Life Insurance Benefits

For fiscal year 2009, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A.2). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

9. PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for fiscal years ended 2009, 2008, and 2007 were \$52,176, \$53,076, and \$56,560, respectively. 45.61 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. \$31,244 represents the unpaid pension contribution for fiscal year 2009.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

9. PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$271,641, \$275,507 and \$273,041; 83.24 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

10. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, this amount was \$8,925.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$23,878, \$24,347 and \$21,816, respectively. 45.61 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 were \$4,305, \$4,121 and \$3,846, respectively. 45.61 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description – The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were \$20,895, \$21,193 and \$21,003, respectively. 83.24 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

11. CONTINGENCIES

A. Grants

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

B. Litigation

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

12. STATUTORY RESERVES

The District is required by state law to set-aside certain General Fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2009	(\$11,141)	(\$4,454,967)
Current year set-aside requirement	80,899	80,899
Current year offsets		(41,393)
Qualifying disbursements	(84,529)	
Total	(\$14,771)	(\$4,415,461)
Cash balance carried forward to FY 2010	(\$14,771)	(\$4,415,461)

The District had qualifying disbursements during the year that met the set aside requirement for textbooks however; the District had qualifying disbursements in previous years that had reduced the balance below zero. Expenditures in excess of current year set aside requirements are allowed to be carried forward to offset future set aside requirements. For capital acquisitions, the negative set aside balance is the result of capital disbursements from the 2001 bond proceeds which are allowed to be carried forward to reduce future set aside requirements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Jackson Center Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net cash assets of governmental activities increased \$305,115 which represents a 43.06% increase from 2007. This increase is primarily the result of increased revenues in the General Fund.
- General cash receipts accounted for \$4,709,554 or 81.20% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions, accounted for \$1,090,064 or 18.80% of total governmental activities cash receipts of \$5,799,618.
- The District had \$5,494,503 in cash disbursements related to governmental activities; \$1,090,064 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,709,554 were adequate to provide for these programs.
- The District's major governmental fund is the General Fund. The General Fund had \$4,819,947 in cash receipts and \$4,513,715 in cash disbursements and other financing uses. During fiscal year 2008, the General Fund's fund cash balance increased \$306,232 from \$501,156 to \$807,388.

Using these Cash Basis Basic Financial Statements

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

The *Statement of Net Assets – Cash Basis* and *Statement of Activities – Cash Basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the General Fund is by far the most significant fund and the only governmental fund reported as a major fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2008?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis can be found on pages 47-48 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 44. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the General Fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Governmental Funds

All of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 49-50 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate Statement of Fiduciary Net Assets on page 52. This cash is excluded from the District's other financial statements because the cash cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 53-71 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2008 and 2007.

	Activities 2008	Activities 2007
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,013,752</u>	<u>\$708,637</u>
Total Assets	<u>1,013,752</u>	<u>708,637</u>
Net Assets		
Restricted	206,364	203,512
Unrestricted	<u>807,388</u>	<u>505,125</u>
Total Net Assets	<u><u>\$1,013,752</u></u>	<u><u>\$708,637</u></u>

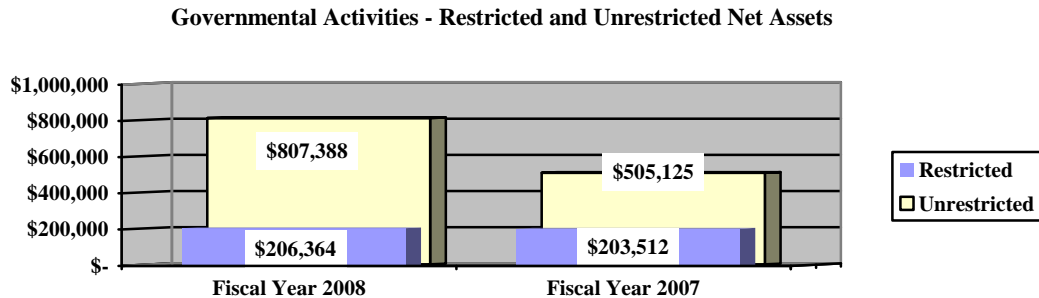
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's total net assets were \$1,013,752.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

A portion of the District's net assets, \$206,364 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$807,388 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net assets for fiscal year 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007

	Change in Net Cash Assets	
	Governmental Activities 2008	Governmental Activities 2007
Cash Receipts:		
Program Cash Receipts:		
Charges for Services and Sales	\$ 606,488	\$ 796,534
Operating Grants and Contributions	481,170	466,056
Capital Grants and Contributions	2,406	
General Cash Receipts:		
Property Taxes	2,018,193	2,209,243
Grants and Entitlements	2,378,398	2,012,685
Investment Earnings	48,476	39,956
Other	264,487	23,688
Total Cash Receipts	5,799,618	5,548,162
Cash Disbursements:		
Program Expenses:		
Instruction:		
Regular	2,406,396	2,440,695
Special	471,387	415,806
Vocational	24,256	620

(Continued)

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

	Change in Net Cash Assets (Continued)	
	Governmental Activities 2008	Governmental Activities 2007
Support Services:		
Pupil	209,030	199,313
Instructional Staff	215,922	206,299
Board of Education	11,044	10,557
Administration	381,007	282,352
Fiscal	298,609	255,721
Operations and Maintenance	480,528	456,508
Pupil Transportation	177,637	175,476
Food Service Operations	212,564	191,791
Extracurricular Activities	170,714	172,633
Facilities Acquisition and Construction	93,338	22,878
Debt Service:		
Principal Retirement	148,000	143,000
Interest and Fiscal Charges	194,071	198,346
Total Cash Disbursements	5,494,503	5,171,995
Change in Net Assets	305,115	376,167
Net Assets at Beginning of year	708,637	332,470
Net Cash Assets at End of Year	\$1,013,752	\$ 708,637

Governmental Activities

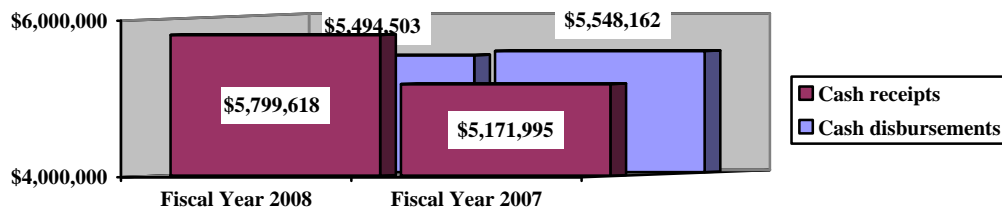
Net cash assets of the District's governmental activities increased \$305,115. Total governmental cash disbursements of \$5,494,503 were offset by program cash receipts of \$1,090,064 and general cash receipts of \$4,709,554. Program cash receipts supported 19.84% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These cash receipts sources represent 75.81% of total governmental cash receipts.

The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$2,902,039 or 52.82% of total governmental cash disbursements for fiscal 2008.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal year 2008 and 2007.

Governmental Activities - Cash Receipts and Disbursements



**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

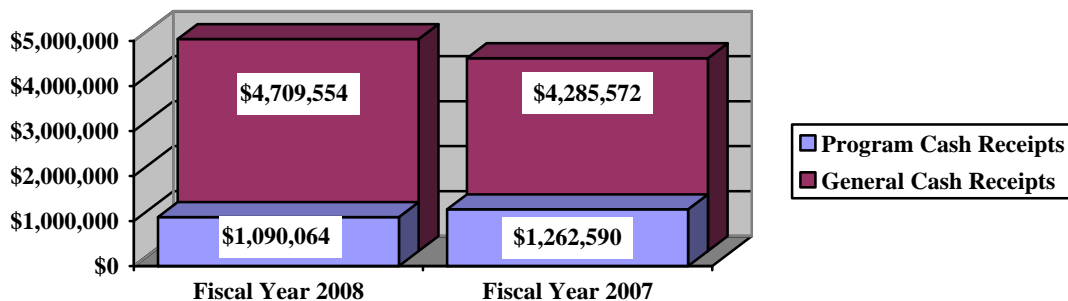
The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities				
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Program Cash Disbursements:				
Instruction:				
Regular	\$2,406,396	\$1,952,967	\$2,440,695	\$1,906,176
Special	471,387	240,242	415,806	218,614
Vocational	24,256	13,445	620	(505)
Support Services:				
Pupil	209,030	105,471	199,313	102,002
Instructional Staff	215,922	214,585	206,299	205,269
Board of Education	11,044	7,083	10,557	10,557
Administration	381,007	381,007	282,352	282,352
Fiscal	298,609	287,609	255,721	244,721
Operations and Maintenance	480,528	480,528	456,508	308,881
Pupil Transportation	177,637	177,637	175,476	175,476
Food Service Operations	212,564	20,518	191,791	(5,164)
Extracurricular Activities	170,714	87,938	172,633	96,802
Facilities Acquisition and Construction	93,338	93,338	22,878	22,878
Debt Service:				
Principal Retirement	148,000	148,000	143,000	143,000
Interest and Fiscal Charges	194,071	194,071	198,346	198,346
Total Cash Disbursements	\$5,494,503	\$4,404,439	\$5,171,995	\$3,909,405

The dependence upon tax and other general cash receipts for governmental activities is apparent, 76.04% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 80.16%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities cash receipts for fiscal year 2008 and 2007.

Governmental Activities - General and Program Cash Receipts



**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District's Funds

The District's governmental funds reported a combined fund balance of \$1,013,752, which is higher than last year's total of \$708,637. The schedule below indicates the fund cash balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 807,388	\$501,156	\$306,232	61.11 %
Other Governmental	206,364	207,481	(1,117)	(0.54) %
Total	<u>\$1,013,752</u>	<u>\$708,637</u>	<u>\$305,115</u>	43.06 %

General Fund

The District's General Fund cash balance increased \$306,232. The increase in fund cash balance is primarily the result of an increase in intergovernmental and other revenues. The table that follows assists in illustrating the cash financial activities of the general fund.

	2008 Amount	2007 Amount	Increase (Decrease)	Percentage Change
Cash Receipts				
Taxes	\$1,696,080	\$1,860,495	(\$164,415)	(8.84) %
Tuition	353,003	410,356	(57,353)	(13.98) %
Earnings on Investments	48,476	39,956	8,520	21.32 %
Intergovernmental	2,427,208	2,037,938	389,270	19.10 %
Other Revenues	295,180	168,458	126,722	75.22 %
Total	<u>4,819,947</u>	<u>4,517,203</u>	<u>302,744</u>	6.70 %
Cash Disbursements				
Instruction	2,723,027	2,688,113	34,914	1.30 %
Support Services	1,645,385	1,440,974	204,411	14.19 %
Extracurricular Activities	80,720	88,732	(8,012)	(9.03) %
Facilities Acquisition and Construction	34,583	2,815	31,768	1,128.53 %
Total	<u>\$4,483,715</u>	<u>\$4,220,634</u>	<u>\$263,081</u>	6.23 %

General Fund Budgeting Highlights

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

During the course of fiscal 2008, the District amended its General Fund budget several times. For the General Fund, both original and final budget revenues were \$4,526,774. Actual revenues for fiscal 2008 were \$4,819,947. This represents a \$293,173 increase from final budgeted revenues. Final appropriations did not significantly change from the original appropriations.

Capital Assets and Debt Administration

Capital Assets

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Debt Administration

At June 30, 2008, the District had \$4,128,643 in general obligation bonds and \$24,000 in notes payable. Of this total, \$153,000 is due within one year and \$3,999,643 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	\$4,128,643	\$4,237,570
Permanent improvement anticipation note	24,000	32,000
Total	\$4,152,643	\$4,269,570

At June 30, 2008, the District's overall legal debt margin was \$210,526, and an unvoted debt margin of \$45,834.

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

Current Financial Related Activities

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

The District successfully passed an additional 7.5 mil, 5 year limited, operating levy on the November 2006 ballot. The impact of this passage was significant as it would allow the District to continue positive operations for the next five years as long as the assumptions of the latest Five Year Forecast remained reasonably accurate. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future. The District does not currently have a District income tax but will need to seriously consider that option the next time operating funds are needed.

Another equally challenging situation is the District's enrollment. The District's enrollment which has seen declines in recent years stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 18-20 students, but we lost a few again in fiscal year 2008. A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing development in the village to help the school population. Due to this endeavor a new housing development has been started with 6 new houses having been constructed at the time of this report. The group is very early in its endeavor so the long term results are yet to be seen. The District has recently experienced an increase of students leaving via Open Enrollment and is striving to enhance the academic environment in order to reduce the number of students Open Enrolling elsewhere. This effort is also an attempt to encourage additional open enrollment students to choose the District.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jackson Center Local District, 204 South Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,013,752
Total Assets	1,013,752
Net Assets:	
Restricted for:	
Capital Projects	53,803
Debt Service	85,481
Locally Funded Programs	2,555
State Funded Programs	2,442
Federally Funded Programs	19,632
District Managed Student Activities	21,731
Other Purposes	20,720
Unrestricted	807,388
Total Net Assets	\$1,013,752

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>			<u>Changes in Net</u> <u>Cash Assets</u>
		<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$2,406,396	\$383,697	\$69,732		(\$1,952,967)
Special	471,387		231,145		(240,242)
Vocational	24,256		10,811		(13,445)
Support Services:					
Pupil	209,030		101,153	\$2,406	(105,471)
Instructional Staff	215,922		1,337		(214,585)
Board of education	11,044	3,961			(7,083)
Administration	381,007				(381,007)
Fiscal	298,609		11,000		(287,609)
Operations and Maintenance	480,528				(480,528)
Pupil Transportation	177,637				(177,637)
Food Service Operations	212,564	136,054	55,992		(20,518)
Extracurricular Activities	170,714	82,776			(87,938)
Facilities Acquisition and Construction	93,338				(93,338)
Debt Service:					
Principal Retirement	148,000				(148,000)
Interest and Fiscal Charges	194,071				(194,071)
Total Governmental Activities	<u>\$5,494,503</u>	<u>\$606,488</u>	<u>\$481,170</u>	<u>\$2,406</u>	<u>(4,404,439)</u>
General Cash Receipts:					
Property Taxes Levied for:					
					1,696,080
					277,801
					44,312
					2,378,398
					48,476
					264,487
					<u>4,709,554</u>
					305,115
					<u>708,637</u>
					<u>\$1,013,752</u>

See accompanying notes to the basic financial statements

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$807,388	\$206,364	\$1,013,752
Total Assets	<u>807,388</u>	<u>206,364</u>	<u>1,013,752</u>
Fund Balances:			
Reserved for Encumbrances	47,003	1,967	48,970
Reserved for Debt Service		85,481	85,481
Unreserved:			
Unreserved, Undesignated, Reported in:			
General Fund	760,385		760,385
Special Revenue Funds		65,113	65,113
Capital Projects Funds		53,803	53,803
Total Fund Balances	<u>\$807,388</u>	<u>\$206,364</u>	<u>\$1,013,752</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:			
From Local Sources:			
Taxes	\$1,696,080	\$322,113	\$2,018,193
Tuition	353,003		353,003
Charges for Services		136,054	136,054
Earnings on Investments	48,476		48,476
Extracurricular		80,677	80,677
Classroom Materials and Fees	30,693		30,693
Gifts and Donations	84,615		84,615
Other	179,872	6,060	185,932
Intergovernmental	2,427,208	434,767	2,861,975
Total Cash Receipts	<u>4,819,947</u>	<u>979,671</u>	<u>5,799,618</u>
Cash Disbursements:			
Current:			
Instruction:			
Regular	2,319,546	86,850	2,406,396
Special	383,740	87,647	471,387
Vocational	19,741	4,515	24,256
Support Services:			
Pupil	106,930	102,100	209,030
Instructional Staff	208,717	7,205	215,922
Board of Education	8,344	2,700	11,044
Administration	381,007		381,007
Fiscal	282,222	16,387	298,609
Operations and Maintenance	480,528		480,528
Pupil Transportation	177,637		177,637
Operation of Non-Instructional Services:			
Food Service Operations		212,564	212,564
Extracurricular Activities	80,720	89,994	170,714
Facilities Acquisition and Construction	34,583	58,755	93,338
Debt Service:			
Principal Retirement		148,000	148,000
Interest and Fiscal charges		194,071	194,071
Total Cash Disbursements	<u>4,483,715</u>	<u>1,010,788</u>	<u>5,494,503</u>
Cash Receipts Over (Under) Cash Disbursements	<u>336,232</u>	<u>(31,117)</u>	<u>305,115</u>
Other Financing sources (Uses):			
Transfers In		30,000	30,000
Transfers (Out)	(30,000)		(30,000)
Total Other Financing Sources (Uses)	<u>(30,000)</u>	<u>30,000</u>	<u></u>
Net Change in Fund Balances	306,232	(1,117)	305,115
Fund Balances at Beginning of Year	501,156	207,481	708,637
Fund Balances at End of Year	<u>\$807,388</u>	<u>\$206,364</u>	<u>\$1,013,752</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From Local Sources:				
Taxes	\$1,592,916	\$1,592,916	\$1,696,080	\$103,164
Tuition	331,532	331,532	353,003	21,471
Earnings on Investments	45,527	45,527	48,476	2,949
Classroom Materials and Fees	28,826	28,826	30,693	1,867
Other	248,400	248,400	264,487	16,087
Intergovernmental	2,279,573	2,279,573	2,427,208	147,635
Total Receipts	<u>4,526,774</u>	<u>4,526,774</u>	<u>4,819,947</u>	<u>293,173</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,289,184	2,330,117	2,340,188	(10,071)
Special	340,412	346,499	383,740	(37,241)
Vocational	22,778	23,185	19,741	3,444
Support Services:				
Pupil	114,764	116,816	106,930	9,886
Instructional Staff	211,581	215,364	208,742	6,622
Board of Education	8,483	8,635	10,144	(1,509)
Administration	391,472	398,472	384,496	13,976
Fiscal	267,077	271,853	286,279	(14,426)
Operations and Maintenance	478,284	486,836	497,508	(10,672)
Pupil transportation	170,757	173,810	177,647	(3,837)
Extracurricular Activities	89,967	91,576	80,720	10,856
Facilities Acquisition and Construction	19,983	20,340	34,583	(14,243)
Total Disbursements	<u>4,404,742</u>	<u>4,483,503</u>	<u>4,530,718</u>	<u>(47,215)</u>
Excess of Receipts (Under) Disbursements	<u>122,032</u>	<u>43,271</u>	<u>289,229</u>	<u>245,958</u>
Other Financing Sources (Uses):				
Transfers (Out)	(37,353)	(38,021)	(30,000)	8,021
Total Other Financing Sources (Uses)	<u>(37,353)</u>	<u>(38,021)</u>	<u>(30,000)</u>	<u>8,021</u>
Net Change in Fund Balance	84,679	5,250	259,229	253,979
Fund Balance at Beginning of Year	463,135	463,135	463,135	
Prior Year Encumbrances Appropriated	<u>38,021</u>	<u>38,021</u>	<u>38,021</u>	
Fund Balance at End of Year	<u><u>\$585,835</u></u>	<u><u>\$506,406</u></u>	<u><u>\$760,385</u></u>	<u><u>\$253,979</u></u>

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$18,596
Total Assets	<u>18,596</u>
Liabilities:	
Due to Students	18,596
Total Liabilities	<u>\$18,896</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 26 non-certificated employees, 43 certificated full-time teaching personnel and 3 administrative employees to provide services to 522 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The District is the 619th largest in the State of Ohio (among 896 school districts and community schools) in terms of enrollment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO) - WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$22,041 to WOCO during fiscal year 2008. Financial information is available from Louis Ivey, who serves as Director at 129 East Court Street, Sidney, Ohio 45365.

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

2. Insurance Purchasing Pools

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Basis of Accounting

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

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

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as governmental or fiduciary.

1. Governmental Funds

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

2. Fiduciary Funds

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Presentation

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

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or receipts or other non exchange transactions.

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

2. Fund Financial Statements

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

E. Budgetary Process

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2008, investments were limited to repurchase agreements. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$48,476, which includes \$12,311 assigned from other funds.

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

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balance Reserves

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

K. Net Assets/Restricted Assets

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

L. Inventory and Prepaid Items

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

M. Employer Contributions to Cost-Sharing Pension Plans

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

N. Interfund Activity

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

O. Receipts and Disbursements

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$109,284. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$20,000 of the District's bank balance of \$120,000 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

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

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

C. Investment

As of June 30, 2008, the District had the following investment and maturity:

Investment type	Fair Value	Investment Maturity 6 months or less
Repurchase Agreement	\$922,914	\$922,914

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

Credit Risk: The federal agency securities that underlie the repurchase agreement was rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's \$922,914 investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$922,914	100.00%

D. Reconciliation of Cash to the Statement of Net Assets

The following is a reconciliation of cash as reported in the footnote above to cash as reported on the statement of net assets as of June 30, 2008:

Cash per footnote	
Carrying amount of deposits	\$ 109,284
Investments	922,914
Cash on hand	150
Total	\$1,032,348
 Cash per Statement of Net Assets	
Governmental activities	\$1,013,752
Agency funds	18,596
Total	\$1,032,348

4. BUDGETARY BASIS OF ACCOUNTING

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

<u>Net Change In Fund Balance</u>	
Cash Basis	\$306,232
Adjustment of Encumbrances	(47,003)
Budget Basis	<u>\$259,229</u>

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to Non-major Governmental funds from:	
General Fund	\$30,000

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

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

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2008 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$44,720,210	82.74	\$43,705,280	89.06
Public utility personal	2,620,330	4.85	2,011,930	4.10
Tangible personal property	6,706,855	12.41	3,357,360	6.84
Total	\$54,047,395	100.00	\$49,074,570	100.00
Tax rate per \$1,000 of assessed valuation	\$53.20		\$53.20	

7. LONG-TERM OBLIGATIONS

A. During the fiscal year 2008, the following changes occurred in the District's long-term obligations:

	Balance Outstanding June 30, 2007	Additions	Reductions	Balance Outstanding June 30, 2008	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
School improvement bonds:					
Serial bonds	\$ 760,000		(\$140,000)	\$ 620,000	\$145,000
Term bonds	3,340,000			3,340,000	
Capital appreciation bonds	40,000			40,000	
Accretion on capital bonds	97,570	\$31,073		128,643	
Total bonds payable	4,237,570	31,073	(140,000)	4,128,643	145,000
Permanent improvement anticipation notes	32,000		(8,000)	24,000	8,000
Total bonds payable	\$4,269,570	\$31,073	(\$148,000)	\$4,152,643	\$153,000

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. LONG-TERM OBLIGATIONS (Continued)

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

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

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2008, are as follows:

Year Ended	General Obligation Term/Serial Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 145,000	\$ 188,117	\$ 333,117			
2010	150,000	182,326	332,326			
2011	160,000	176,046	336,046			
2012	165,000	169,301	334,301			
2013		319,628	319,628	\$16,207	\$153,793	\$170,000
2014 - 2018	540,000	1,106,672	1,646,672	23,793	316,207	340,000
2019 - 2023	1,095,000	567,417	1,662,417			
2024 - 2028	1,385,000	227,137	1,612,137			
2029	320,000	8,000	328,000			
Total	<u>\$3,960,000</u>	<u>\$2,944,644</u>	<u>\$6,904,644</u>	<u>\$40,000</u>	<u>\$470,000</u>	<u>\$510,000</u>

Permanent Improvement Anticipation Notes			
Year Ended	Principal	Interest	Total
2009	\$ 8,000	\$ 748	\$ 8,748
2010	8,000	449	8,449
2011	8,000	150	8,150
Total	<u>\$24,000</u>	<u>\$1,347</u>	<u>\$25,347</u>

1. Term Bonds

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

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. 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:

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

2. Serial Bonds

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

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

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2008 is \$128,643.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008 are a voted debt margin of \$210,526 (including available funds of \$85,481) and an unvoted debt margin of \$45,834.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A.2) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Selective Insurance Company	\$ 1,000,000	\$1,000
General Liability	Selective Insurance Company	1,000,000/3,000,000	
Liability, fleet & property	Selective Insurance Company		
Each occurrence		1,000,000	
Aggregate		3,000,000	
Excess property:	Travelers Indemnity Company	300,000,000	
School Board Legal Liability	The Insurance Co of the State of PA	5,000,000/1,000,000	
Boiler and machinery	Federal Insurance Company	50,000,000	3,500

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

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Dental and Life Insurance Benefits

For fiscal year 2008, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A.). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations, 10.68 percent was the portion for fiscal year 2007. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

The District's required contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$53,076, \$56,560 and \$62,513, respectively; 50.45% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$26,436 represents the unpaid contribution for fiscal year 2008.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. PENSION PLANS (Continued)

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, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to the DB plan for the fiscal years ended June 30, 2008, 2007, and 2006 were \$275,507, \$273,041, and \$279,900, respectively; 83.06% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. \$46,666 represents the unpaid contribution for fiscal year 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

10. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$24,347.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$24,347, \$18,778, and \$21,816, respectively; 50.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$4,121, \$3,846, and \$4,975, respectively; 50.45 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$21,193, \$21,003, and \$21,531, respectively; 83.06 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. CONTINGENCIES

A. Grants

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

B. Litigation

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. STATUTORY RESERVES

The District is required by state law to set-aside certain General Fund cash receipt amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2007	(\$11,370)	(\$4,536,516)
Current year set-aside requirement	81,549	81,549
Qualifying disbursements	(81,320)	
Total	(\$11,141)	(\$4,454,967)
Cash balance carried forward to FY 2009	(\$11,141)	(\$4,454,967)

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

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, (the District) as of and for the fiscal years ended June 30, 2009 and 2008 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 3, 2009, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

However, we noted a certain matter that we reported to the District's management in a separate letter dated November 3, 2009.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2009-001.

We also noted a certain noncompliance or other matter that we reported to the District's management in a separate letter dated November 3, 2009.

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

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

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

Mary Taylor, CPA
Auditor of State

November 3, 2009

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDING JUNE 30, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2009 and 2008, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

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

Officials Response:

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Rev. Code Sec. 117.28 & Ohio Admin. Code Sec. 117-02-03 (B) - The District did not prepare GAAP basis financial statements.	No	Repeated as finding 2009-001



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether Jackson Center Local School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on December 17, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - 5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - 6) A procedure for documenting any prohibited incident that is reported;

- 7) A procedure for responding to and investigating any reported incident;
- 8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- 9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- 10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



Mary Taylor, CPA
Auditor of State

November 3, 2009



Mary Taylor, CPA
Auditor of State

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 17, 2009