

**JACKSON CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2005

With

Independent Auditors' Report





**Auditor of State  
Betty Montgomery**

Board of Education  
Jackson City School District  
450 Vaughn St.  
Jackson, OH 45640

We have reviewed the *Independent Auditors' Report* of the Jackson City School District, Jackson County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jackson City School District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

September 18, 2006

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# JACKSON CITY SCHOOL DISTRICT

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Jackson City School District:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson City School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jackson City School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson City School District, as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the School District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for States and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 39, *Determining Whether Certain Organizations Are Component Units*; Statement No. 40, *Deposits and Investment Risk Disclosure*; Statement No. 46, *Net Assets Restricted by Enabling Legislation*; GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2006 on our consideration of Jackson City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 28, 2006

## **Jackson City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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The discussion and analysis of the Jackson City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **FINANCIAL HIGHLIGHTS**

#### **Key financial highlights for the fiscal year 2005 are as follows:**

- Net assets of governmental activities decreased \$3,520,289.
- General revenues accounted for \$19,582,553 in revenue or 75.2 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,439,387 or 24.8 percent of total revenues of \$26,022,240.
- Total assets of governmental activities decreased \$4,782,458 primarily due to the depreciation of capital assets and reductions in cash and cash equivalents and intergovernmental receivable.
- The School District had \$29,542,629 in expenses related to governmental activities; only \$6,439,387 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily taxes and intergovernmental) of \$19,582,553 were not adequate to provide for these programs.
- The School District has five major funds, the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds, and the Jones Trust Permanent Fund. The General Fund had \$17,495,582 in revenues and \$18,029,588 in expenditures. The General Fund's balance decreased \$629,405. The Bond Retirement Debt Service Fund had \$1,314,938 in revenues and \$1,315,244 in expenditures. The Bond Retirement Debt Service Fund's balance decreased \$306. The Permanent Improvements Capital Projects Fund had \$819,059 in revenues and \$3,976,512 in expenditures. The Permanent Improvements Capital Projects Fund's balance decreased \$9,877,930. The Classroom Facilities Capital Projects Fund had \$395,399 in revenues and \$11,289,983 in expenditures. The Classroom Facilities Capital Projects Fund's balance decreased \$3,894,584. The Jones Trust Permanent Fund had \$1,863,127 in revenues and \$154 in expenditures. The Jones Trust Permanent Fund's balance increased \$1,882,783.

### **USING THIS ANNUAL FINANCIAL REPORT**

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

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



# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

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## **Reporting the School District as a Whole**

### *Statement of Net Assets and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are reported as governmental including instruction, support services, operation of non-instructional services, debt service, and extracurricular activities.

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

### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds, and the Jones Trust Permanent Fund.

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

## **THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2005 compared to 2004.

# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

**Table 1**  
**Net Assets**

|  | Governmental Activities |              |                |
|--|-------------------------|--------------|----------------|
|  | 2005                    | 2004         | Change         |
| <b>Assets</b>                                      |                         |              |                |
| Current and Other Assets                           | \$33,762,984            | \$46,662,319 | (\$12,899,335) |
| Capital Assets                                     | 56,120,193              | 47,743,618   | 8,376,575      |
| Total Assets                                       | 89,883,177              | 94,405,937   | (4,522,760)    |
| <b>Liabilities</b>                                 |                         |              |                |
| Long-Term Liabilities                              | 20,424,546              | 21,020,818   | 596,272        |
| Other Liabilities                                  | 11,666,050              | 12,073,149   | 407,099        |
| Total Liabilities                                  | 32,090,596              | 33,093,967   | 1,003,371      |
| <b>Net Assets</b>                                  |                         |              |                |
| Invested in Capital Assets, Net<br>of Related Debt | 37,741,135              | 28,544,560   | 9,196,575      |
| Restricted   | 20,920,236              | 32,883,928   | (11,963,692)   |
| Unrestricted                                       | (869,790)               | (116,518)    | (753,272)      |
| Total Net Assets                                   | \$57,791,581            | \$61,311,970 | (\$3,520,389)  |

Total assets decreased \$4,522,760. The majority of this decrease was due to reductions in cash and cash equivalents. The decrease in cash and cash equivalents is primarily attributable to the near completion of the District's numerous capital projects and the payment of retainage held by the District to the different entities involved with the construction projects.

Total liabilities decreased \$1,003,371. This decrease is due to the near completion of the School Districts construction projects and the corresponding decreases in both contracts and retainage payable and decreases in long-term liabilities due to the debt service payments made by the District for our new instructional facilities. These decreases were, however, somewhat offset by increases in accrued wages and benefits payable and intergovernmental payable.

# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2005. Since this is the first year Jackson City Schools has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2004 are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented.

**Table 2**  
**Changes in Net Assets**

|  | Governmental<br>Activities |
|--|----------------------------|
|  | 2005                       |
| <b>Revenues</b>                              |                            |
| Program Revenues:                            |                            |
| Charges for Services                         | \$1,253,388                |
| Operating Grants, Contributions and Interest | 4,475,748                  |
| Capital Grants, Contributions and Interest   | 710,551                    |
|  | <u>6,439,687</u>           |
| General Revenue:                             |                            |
| Property Taxes                               | 5,781,520                  |
| Grants and Entitlements                      | 13,674,578                 |
| Investment Earnings                          | 75,903                     |
| Gifts and Donation                           | 315                        |
| Extracurricular                              | 5,742                      |
| Miscellaneous                                | 37,779                     |
| Gain on Sale of Capital Assets               | 6,716                      |
|  | <u>19,582,553</u>          |
| Total Revenues                               | <u>26,022,240</u>          |
| <b>Program Expenses</b>                      |                            |
| Instruction:                                 |                            |
| Regular                                      | 11,174,259                 |
| Special                                      | 2,331,878                  |
| Vocational                                   | 130,674                    |
| Support Services:                            |                            |
| Pupils                                       | 796,137                    |
| Instructional Staff                          | 798,107                    |
| Board of Education                           | 112,060                    |
| Administration                               | 1,842,680                  |
| Fiscal                                       | 889,036                    |
| Business                                     | 84,086                     |
| Operation and Maintenance of Plant           | 5,059,470                  |
| Pupil Transportation                         | 2,910,219                  |
| Central                                      | 23,712                     |
| Food Service Operations                      | 1,036,787                  |
| Community Services                           | 655,656                    |
| Extracurricular Activities                   | 801,409                    |
| Interest and Fiscal Charges                  | 896,459                    |
| Total Expenses                               | <u>29,542,629</u>          |
| Decrease in Net Assets                       | (3,520,389)                |
| Net Assets at Beginning of Year              | <u>61,311,970</u>          |
| Net Assets at End of Year                    | <u>\$57,791,581</u>        |

## **Jackson City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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While the District was able to maintain a stable financial position from fiscal year 1994 through fiscal year 2005, the economic pressures of academic requirements has outpaced available resources. Net assets of the School District's governmental activities decreased by \$3,520,389 in fiscal year 2005. Program revenues of \$6,439,687 and general revenue of \$19,582,553 did not offset total governmental expenses of \$29,542,629.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 99.5 percent of total governmental revenue. Grants and entitlements, alone, represent 77.3 percent of revenues. Interest income, extracurricular activities, miscellaneous revenue, and gains on the sale of capital assets account for the remaining .5 percent.

Instruction comprises approximately 46.2 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 42.5 percent. The remaining 11.3 percent of program expenses is used for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, and interest and fiscal charges.

The DeRolph III decision has not eliminated the District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up 22.2 percent of revenues for governmental activities for Jackson City School District in 2005.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

**Table 3**  
**Governmental Activities**

|                                    | 2005<br>Total Cost<br>of Services | 2005<br>Net Cost<br>of Services |
|------------------------------------|-----------------------------------|---------------------------------|
| <b>Program Expenses</b>            |                                   |                                 |
| Instruction:                       |                                   |                                 |
| Regular                            | \$11,174,259                      | \$9,962,981                     |
| Special                            | 2,331,878                         | 311,496                         |
| Vocational                         | 130,674                           | 111,590                         |
| Support Services:                  |                                   |                                 |
| Pupil                              | 796,137                           | 172,811                         |
| Instructional Staff                | 798,107                           | 765,803                         |
| Board of Education                 | 112,060                           | 112,060                         |
| Administration                     | 1,842,680                         | 1,694,382                       |
| Fiscal                             | 889,036                           | 558,140                         |
| Business                           | 84,086                            | 84,086                          |
| Operation and Maintenance of Plant | 5,059,470                         | 4,945,927                       |
| Pupil Transportation               | 2,910,219                         | 2,708,405                       |
| Central                            | 23,712                            | 23,580                          |
| Food Service Operations            | 1,036,787                         | (29,824)                        |
| Community Services                 | 655,656                           | 563,977                         |
| Extracurricular Activities         | 801,409                           | 221,069                         |
| Interest and Fiscal Charges        | 896,459                           | 896,459                         |
| Totals                             | <u>\$29,542,629</u>               | <u>\$23,102,942</u>             |

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 76.2 percent of instruction activities are supported through taxes and other general revenues.

## THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$26,336,025 and expenditures of \$38,519,525.

### General Fund Budgeting Highlights

The School 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 2005, the School District amended its general fund appropriations although none the amendments were significant. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, final budget basis revenue was \$17,451,739, above original estimates of \$15,103,359. This \$2,348,380 difference was due to deflated intergovernmental estimates, based on the State's budget reduction and higher than expected investment income. Expenditures of \$18,812,531 were \$1,458,423 higher than original appropriations due to higher than estimated expenditures in instruction and the operation and maintenance of the School District's instructional facilities.

The School District's ending unobligated general fund balance was \$1,808,093.

# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2005, the School District had \$56,120,193 invested in land, buildings, furniture and equipment, vehicles, and textbooks. Table 4 shows fiscal year 2005 balances compared to 2004.

**Table 4**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

|                                       | Governmental Activities |                     |
|---------------------------------------|-------------------------|---------------------|
|                                       | 2005                    | 2004                |
| Land                                  | \$1,645,050             | \$1,645,050         |
| Construction in Progress              | 850,676                 | 30,584,432          |
| Land Improvements                     | 3,846,196               | 212,179             |
| Buildings and Improvements            | 47,219,502              | 12,464,908          |
| Furniture, Fixtures, and<br>Equipment | 1,826,138               | 2,080,820           |
| Vehicles                              | 732,631                 | 756,229             |
| Totals                                | <u>\$56,120,193</u>     | <u>\$47,743,618</u> |

For addition information on capital assets, see Note 10 to the basic financial statements.

### Debt

At June 30, 2005, the School District had classroom facilities general obligation bonds outstanding of \$13,175,420 and classroom facilities tax anticipation notes outstanding of \$2,520,000, both issued for the School District's classroom facilities project, and a lease-purchase agreement outstanding of \$2,880,000 for the construction of Alumni Stadium. For additional information on debt, see Note 14 to the basic financial statements.

## CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes and State subsidies to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes or State subsidies. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (nearly 74 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight increase in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, this has served to somewhat offset any increase in State funding.

## **Jackson City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
Unaudited*

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Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher insurance costs, and State budget cuts in education). In the long run, the fact is that as long as the State avoids the complete systematic overhaul the Supreme Court ordered in its initial ruling, all schools in Ohio will be faced with the same problem in the future – either increasing its revenues (passing levies) or decreasing its expenses (making budget cuts).

As the preceding information shows, the School District depends upon its taxpayers. Although the Jackson City School District has tightened spending to better bring expenses in line with revenues, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

### **CONTRACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ernie Strawser, Treasurer at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

**Jackson City School District, Ohio**

*Statement of Net Assets*

*June 30, 2005*

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|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                   |                            |
| Equity in Pooled Cash and Cash Equivalents      | \$18,673,320               |
| Investments in Segregated Accounts              | 5,092,832                  |
| Materials and Supplies Inventory                | 17,466                     |
| Accounts Receivable                             | 1,421,090                  |
| Intergovernmental Receivable                    | 2,039,701                  |
| Prepaid Items                                   | 73,785                     |
| Property Taxes Receivable                       | 6,444,790                  |
| Nondepreciable Capital Assets                   | 2,495,726                  |
| Depreciable Capital Assets, Net                 | <u>53,624,467</u>          |
| <i>Total Assets</i>                             | <u>89,883,177</u>          |
| <br>  |                            |
| <b>Liabilities</b>                              |                            |
| Accounts Payable                                | 177,114                    |
| Contracts Payable                               | 1,333,888                  |
| Accrued Wages and Benefits Payable              | 2,059,185                  |
| Intergovernmental Payable                       | 714,981                    |
| Accrued Interest Payable                        | 94,680                     |
| Matured Compensated Absences Payable            | 7,328                      |
| Retainage Payable                               | 541,115                    |
| Deferred Revenue                                | 6,737,759                  |
| Long-Term Liabilities:                          |                            |
| Due within One Year                             | 1,055,385                  |
| Due in More than One Year                       | <u>19,369,161</u>          |
| <i>Total Liabilities</i>                        | <u>32,090,596</u>          |
| <br>  |                            |
| <b>Net Assets</b>                               |                            |
| Invested in Capital Assets, Net of Related Debt | 37,741,135                 |
| Restricted for:                                 |                            |
| Endowments:                                     |                            |
| Expendable                                      | 2,098,083                  |
| Non-Expendable                                  | 4,844,700                  |
| Other Purposes                                  | 2,090,044                  |
| Capital Projects                                | 11,887,409                 |
| Unrestricted                                    | <u>(869,790)</u>           |
| <i>Total Net Assets</i>                         | <u><u>\$57,791,581</u></u> |

See accompanying notes to the financial statements



**Jackson City School District, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June, 30, 2005

|   | Program Revenues    |                         |  | Capital<br>Grants and<br>Contributions | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|---------------------|-------------------------|--|--|--|
|   | Expenses            | Charges for<br>Services | Operating Grants,<br>Contributions<br>and Interest |  |  |
| <b>Governmental Activities:</b>                             |                     |                         |  |  |  |
| Instruction:  |                     |                         |  |  |  |
| Regular   | \$11,174,259        | \$363,081               | \$766,701  | \$81,496                               | (\$9,962,981)  |
| Special   | 2,331,878           | 31,420                  | 1,988,962  | 0                                      | (311,496)  |
| Vocational  | 130,674             | 0                       | 19,084   | 0                                      | (111,590)  |
| Support Services:   |                     |                         |  |  |  |
| Pupils  | 796,137             | 0                       | 621,538  | 1,788                                  | (172,811)  |
| Instructional Staff   | 798,107             | 0                       | 32,304   | 0                                      | (765,803)  |
| Board of Education  | 112,060             | 0                       | 0  | 0                                      | (112,060)  |
| Administration  | 1,842,680           | 26,170                  | 122,128  | 0                                      | (1,694,382)  |
| Fiscal  | 889,036             | 0                       | 301,605  | 29,291                                 | (558,140)  |
| Business  | 84,086              | 0                       | 0  | 0                                      | (84,086)   |
| Operation and Maintenance of Plant                          | 5,059,470           | 0                       | 0  | 113,543                                | (4,945,927)  |
| Pupil Transportation  | 2,910,219           | 0                       | 11,464   | 190,350                                | (2,708,405)  |
| Central   | 23,712              | 0                       | 132  | 0                                      | (23,580)   |
| Operation of Non-Instructional Services:                    |                     |                         |  |  |  |
| Food Service Operations                                     | 1,036,787           | 537,004                 | 529,607  | 0                                      | 29,824   |
| Community Services  | 655,656             | 10,011                  | 81,668   | 0                                      | (563,977)  |
| Extracurricular Activities                                  | 801,409             | 285,702                 | 555  | 294,083                                | (221,069)  |
| Interest and Fiscal Charges                                 | 896,459             | 0                       | 0  | 0                                      | (896,459)  |
| <b>Totals</b>   | <b>\$29,542,629</b> | <b>\$1,253,388</b>      | <b>\$4,475,748</b>                                 | <b>\$710,551</b>                       | <b>(23,102,942)</b>                                      |
| <b>General Revenues:</b>                                    |                     |                         |  |  |  |
| Property Taxes Levied for:                                  |                     |                         |  |  |  |
| General Purposes  |                     |                         |  |  | 4,209,371  |
| Debt Service  |                     |                         |  |  | 1,163,301  |
| Capital Improvements  |                     |                         |  |  | 408,848  |
| Grants and Entitlements not Restricted to Specific Programs |                     |                         |  |  | 13,674,578   |
| Investment Earnings   |                     |                         |  |  | 75,903   |
| Gifts and Donations   |                     |                         |  |  | 315  |
| Extracurricular Activities                                  |                     |                         |  |  | 5,742  |
| Miscellaneous   |                     |                         |  |  | 37,779   |
| Gain on Sale of Capital Assets                              |                     |                         |  |  | 6,716  |
| <b>Total General Revenues</b>                               |                     |                         |  |  | <b>19,582,553</b>  |
| <b>Change in Net Assets</b>                                 |                     |                         |  |  | <b>(3,520,389)</b>                                       |
| <b>Net Assets at Beginning of Year - See Note 3</b>         |                     |                         |  |  | <b>61,311,970</b>  |
| <b>Net Assets at End of Year</b>                            |                     |                         |  |  | <b>\$57,791,581</b>                                      |

See accompanying notes to the financial statements

**Jackson City School District, Ohio**

*Balance Sheet  
Governmental Funds  
June 30, 2005*

|  | <u>General</u>            | <u>Bond<br/>Retirement</u> | <u>Permanent<br/>Improvements</u> | <u>Classroom<br/>Facilities</u> | <u>Jones<br/>Trust</u>    |
|--|---------------------------|----------------------------|-----------------------------------|---------------------------------|---------------------------|
| <b>Assets</b>                              |                           |                            |                                   |                                 |                           |
| Equity in Pooled Cash and                  |                           |                            |                                   |                                 |                           |
| Cash Equivalents                           | \$2,248,933               | \$501,872                  | \$10,856,056                      | \$982,379                       | \$1,718,310               |
| Investments in Segregated Accounts         | 0                         | 0                          | 0                                 | 0                               | 4,744,700                 |
| Receivables:                               |                           |                            |                                   |                                 |                           |
| Taxes                                      | 4,671,655                 | 1,067,176                  | 705,959                           | 0                               | 0                         |
| Accounts                                   | 2,637                     | 0                          | 0                                 | 0                               | 0                         |
| Intergovernmental                          | 56,602                    | 0                          | 0                                 | 1,922,483                       | 0                         |
| Interfund                                  | 718,024                   | 0                          | 0                                 | 0                               | 0                         |
| Materials and Supplies Inventory           | 0                         | 0                          | 0                                 | 0                               | 0                         |
| Prepaid Items                              | 67,854                    | 0                          | 0                                 | 5,931                           | 0                         |
| <b>Total Assets</b>                        | <b><u>\$7,765,705</u></b> | <b><u>\$1,569,048</u></b>  | <b><u>\$11,562,015</u></b>        | <b><u>\$2,910,793</u></b>       | <b><u>\$6,463,010</u></b> |
| <b>Liabilities and Fund Balances</b>       |                           |                            |                                   |                                 |                           |
| <b>Liabilities</b>                         |                           |                            |                                   |                                 |                           |
| Accounts Payable                           | \$70,921                  | \$0                        | \$1,088                           | \$91,965                        | \$0                       |
| Contracts Payable                          | 0                         | 0                          | 10,240                            | 1,323,648                       | 0                         |
| Accrued Wages and Benefits Payable         | 1,811,867                 | 0                          | 0                                 | 0                               | 0                         |
| Retainage Payable                          | 0                         | 0                          | 0                                 | 541,115                         | 0                         |
| Interfund Payable                          | 0                         | 717,961                    | 0                                 | 0                               | 0                         |
| Intergovernmental Payable                  | 602,643                   | 0                          | 0                                 | 18,854                          | 0                         |
| Matured Compensated Absences               | 7,328                     | 0                          | 0                                 | 0                               | 0                         |
| Deferred Revenue                           | 4,393,468                 | 1,015,092                  | 662,446                           | 1,922,483                       | 0                         |
| <b>Total Liabilities</b>                   | <b><u>6,886,227</u></b>   | <b><u>1,733,053</u></b>    | <b><u>673,774</u></b>             | <b><u>3,898,065</u></b>         | <b><u>0</u></b>           |
| <b>Fund Balances</b>                       |                           |                            |                                   |                                 |                           |
| Reserved for Encumbrances                  | 429,983                   | 0                          | 162,044                           | 5,408,831                       | 0                         |
| Reserved for Property Taxes                | 296,681                   | 52,084                     | 43,513                            | 0                               | 0                         |
| Unreserved, Undesignated, Reported in:     |                           |                            |                                   |                                 |                           |
| General Fund                               | 152,814                   | 0                          | 0                                 | 0                               | 0                         |
| Special Revenue Funds                      | 0                         | 0                          | 0                                 | 0                               | 0                         |
| Debt Service Fund                          | 0                         | (216,089)                  | 0                                 | 0                               | 0                         |
| Capital Projects Funds                     | 0                         | 0                          | 10,682,684                        | (6,396,103)                     | 0                         |
| Permanent Funds                            | 0                         | 0                          | 0                                 | 0                               | 6,463,010                 |
| <b>Total Fund Balances</b>                 | <b><u>879,478</u></b>     | <b><u>(164,005)</u></b>    | <b><u>10,888,241</u></b>          | <b><u>(987,272)</u></b>         | <b><u>6,463,010</u></b>   |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$7,765,705</u></b> | <b><u>\$1,569,048</u></b>  | <b><u>\$11,562,015</u></b>        | <b><u>\$2,910,793</u></b>       | <b><u>\$6,463,010</u></b> |

See accompanying notes to the basic financial statements

**Jackson City School District, Ohio**  
*Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005*

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  |                     |
|--------------------------------|--------------------------------|--|---------------------|
| \$2,365,770                    | \$18,673,320                   | <b>Total Governmental Fund Balances</b>  | \$19,674,055        |
| 348,132                        | 5,092,832                      | <b>Amounts reported for governmental activities<br/>in the statement of net assets are different<br/>because</b>                   |                     |
| 0                              | 6,444,790                      | Capital Assets used in governmental activities<br>are not financial resources and therefore are<br>not reported in the funds.      | 56,120,193          |
| 1,418,453                      | 1,421,090                      | Other long-term assets are not available to pay<br>for current-period expenditures and therefore<br>are not reported in the funds: |                     |
| 60,616                         | 2,039,701                      | Property Taxes   | 576,582             |
| 0                              | 718,024                        | Grants   | <u>1,940,977</u>    |
| 17,466                         | 17,466                         |  | 2,517,559           |
| 0                              | 73,785                         |  |                     |
| <u>\$4,210,437</u>             | <u>\$34,481,008</u>            | Long-term liabilities are not due and payable in the<br>current period and therefore are not reported in the<br>funds:             |                     |
|                                |                                | School Construction Bonds  | (13,175,420)        |
| \$13,140                       | \$177,114                      | Bond Anticipation Notes  | (2,520,000)         |
| 0                              | 1,333,888                      | Alumni Stadium Notes   | (2,880,000)         |
| 247,318                        | 2,059,185                      | Accrued Interest   | (94,680)            |
| 0                              | 541,115                        | Compensated Absences Payable   | <u>(1,850,126)</u>  |
| 63                             | 718,024                        |  | <u>(20,520,226)</u> |
| 93,484                         | 714,981                        | <b>Net Assets of Governmental Activities</b>   | <u>\$57,791,581</u> |
| 0                              | 7,328                          |  |                     |
| 1,261,829                      | 9,255,318                      |  |                     |
| <u>1,615,834</u>               | <u>14,806,953</u>              |  |                     |
|                                |                                |  |                     |
| 90,411                         | 6,091,269                      |  |                     |
| 0                              | 392,278                        |  |                     |
| 0                              | 152,814                        |  |                     |
| 2,024,447                      | 2,024,447                      |  |                     |
| 0                              | (216,089)                      |  |                     |
| 0                              | 4,286,581                      |  |                     |
| 479,745                        | 6,942,755                      |  |                     |
| <u>2,594,603</u>               | <u>19,674,055</u>              |  |                     |
| <u>\$4,210,437</u>             | <u>\$34,481,008</u>            |  |                     |

**Jackson City School District, Ohio**  
*Combined Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2005*

|   | General           | Bond<br>Retirement | Permanent<br>Improvements | Classroom<br>Facilities | Jones<br>Trust     |
|---|-------------------|--------------------|---------------------------|-------------------------|--------------------|
| <b>Revenues</b>   |                   |                    |                           |                         |                    |
| Property Taxes  | \$4,166,713       | \$1,155,812        | \$402,591                 | \$0                     | \$0                |
| Intergovernmental   | 12,830,626        | 101,886            | 95,738                    | 395,399                 | 1,536,752          |
| Investment Earnings   | 75,903            | 57,240             | 320,730                   | 0                       | 326,375            |
| Tuition and Fees  | 306,850           | 0                  | 0                         | 0                       | 0                  |
| Rent  | 26,069            | 0                  | 0                         | 0                       | 0                  |
| Charges for Services  | 0                 | 0                  | 0                         | 0                       | 0                  |
| Donations   | 315               | 0                  | 0                         | 0                       | 0                  |
| Extracurricular   | 0                 | 0                  | 0                         | 0                       | 0                  |
| Miscellaneous   | 89,106            | 0                  | 0                         | 0                       | 0                  |
| <b>Total Revenues</b>   | <b>17,495,582</b> | <b>1,314,938</b>   | <b>819,059</b>            | <b>395,399</b>          | <b>1,863,127</b>   |
| <b>Expenditures</b>   |                   |                    |                           |                         |                    |
| Current:  |                   |                    |                           |                         |                    |
| Instruction:  |                   |                    |                           |                         |                    |
| Regular   | 9,583,005         | 0                  | 806,411                   | 0                       | 154                |
| Special   | 569,204           | 0                  | 0                         | 0                       | 0                  |
| Vocational  | 120,928           | 0                  | 0                         | 0                       | 0                  |
| Support Services:   |                   |                    |                           |                         |                    |
| Pupils  | 684,468           | 0                  | 17,688                    | 0                       | 0                  |
| Instructional Staff   | 651,709           | 0                  | 0                         | 0                       | 0                  |
| Board of Education  | 112,060           | 0                  | 0                         | 0                       | 0                  |
| Administration  | 1,573,041         | 0                  | 0                         | 0                       | 0                  |
| Fiscal  | 534,829           | 28,950             | 289,837                   | 0                       | 0                  |
| Business  | 60,244            | 0                  | 0                         | 0                       | 0                  |
| Operation and Maintenance of Plant                                    | 2,331,284         | 0                  | 1,123,517                 | 1,492,843               | 0                  |
| Pupil Transportation  | 1,037,023         | 0                  | 1,611,279                 | 0                       | 0                  |
| Central   | 23,516            | 0                  | 0                         | 0                       | 0                  |
| Operation of Non-Instructional Services:                              |                   |                    |                           |                         |                    |
| Food Service Operations   | 0                 | 0                  | 0                         | 0                       | 0                  |
| Community Services  | 15,560            | 0                  | 0                         | 0                       | 0                  |
| Extracurricular Activities  | 361,239           | 0                  | 0                         | 0                       | 0                  |
| Capital Outlay  | 0                 | 0                  | 127,780                   | 9,797,140               | 0                  |
| Debt Service:   |                   |                    |                           |                         |                    |
| Principal Retirement  | 320,000           | 500,000            | 0                         | 0                       | 0                  |
| Interest and Fiscal Charges   | 51,478            | 786,294            | 0                         | 0                       | 0                  |
| <b>Total Expenditures</b>   | <b>18,029,588</b> | <b>1,315,244</b>   | <b>3,976,512</b>          | <b>11,289,983</b>       | <b>154</b>         |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>               | <b>(534,006)</b>  | <b>(306)</b>       | <b>(3,157,453)</b>        | <b>(10,894,584)</b>     | <b>1,862,973</b>   |
| <b>Other Financing Sources (Uses)</b>                                 |                   |                    |                           |                         |                    |
| Proceeds of Sale from Capital Asset                                   | 6,716             | 0                  | 0                         | 0                       | 0                  |
| Transfers In  | 34,092            | 0                  | 279,523                   | 7,000,000               | 19,810             |
| Transfers Out   | (136,207)         | 0                  | (7,000,000)               | 0                       | 0                  |
| <b>Total Other Financing Sources (Uses)</b>                           | <b>(95,399)</b>   | <b>0</b>           | <b>(6,720,477)</b>        | <b>7,000,000</b>        | <b>19,810</b>      |
| <b>Net Change in Fund Balance</b>                                     | <b>(629,405)</b>  | <b>(306)</b>       | <b>(9,877,930)</b>        | <b>(3,894,584)</b>      | <b>1,882,783</b>   |
| <b>Fund Balances at Beginning of Year -<br/>Restated (See Note 3)</b> | <b>1,508,883</b>  | <b>(163,699)</b>   | <b>20,766,171</b>         | <b>2,907,312</b>        | <b>4,580,227</b>   |
| <b>Fund Balances at End of Year</b>                                   | <b>\$879,478</b>  | <b>(\$164,005)</b> | <b>\$10,888,241</b>       | <b>(\$987,272)</b>      | <b>\$6,463,010</b> |

See accompanying notes to the financial statements

**Jackson City School District, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2005*

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  | (\$12,176,784)               |
|--------------------------------|--------------------------------|--|------------------------------|
|                                |                                | <b>Net Change in Fund Balances - Total Governmental Funds</b>  |                              |
|                                |                                | <b>Amounts reported for governmental activities in the<br/>statement of activities are different because</b>   |                              |
|                                |                                | Governmental funds report capital outlays as expenditures.<br>However, in the statement of activities, the cost of those<br>assets is allocated over their useful lives as depreciation<br>expense. This is the amount by which capital outlay<br>exceeded depreciation in the current period: |                              |
| \$0                            | \$5,725,116                    | Capital Assets Additions   | 9,924,920                    |
| 3,048,261                      | 18,008,662                     | Depreciation Expense   | <u>(1,548,345)</u> 8,376,575 |
| 23,112                         | 803,360                        |  |                              |
| 39,729                         | 346,579                        |  |                              |
| 2,333                          | 28,402                         |  |                              |
| 629,329                        | 629,329                        |  |                              |
| 166,979                        | 167,294                        |  |                              |
| 537,004                        | 537,004                        |  |                              |
| 1,173                          | 90,279                         |  |                              |
| <u>4,447,920</u>               | <u>26,336,025</u>              | Revenues in the statement of activities that do not provide<br>current financial resources are not reported as revenues<br>in the funds:   |                              |
|                                |                                | Grants   | (376,905)                    |
|                                |                                | Delinquent Taxes   | <u>56,404</u> (320,501)      |
|                                |                                | Repayments of principal is an expenditure in the governmental<br>funds, but the repayment reduces long-term liabilities<br>in the statement of net assets.   | 820,000                      |
| 155,786                        | 10,545,356                     |  |                              |
| 1,607,499                      | 2,176,703                      |  |                              |
| 0                              | 120,928                        |  |                              |
| 43,367                         | 745,523                        | In the statement of activities, interest is accrued on outstanding<br>debt, whereas in the governmental funds, interest is<br>expended when due.   | 5,049                        |
| 52,673                         | 704,382                        |  |                              |
| 0                              | 112,060                        |  |                              |
| 127,777                        | 1,700,818                      | Some items reported in the statement of activities do not<br>require the use of current financial resources and<br>therefore are not reported in governmental funds:   |                              |
| 1,528                          | 855,144                        | Compensated Absences   | (160,992)                    |
| 16,009                         | 76,253                         | Accretion on Bonds   | <u>(63,736)</u> (224,728)    |
| 0                              | 4,947,644                      |  |                              |
| 0                              | 2,648,302                      |  |                              |
| 196                            | 23,712                         |  |                              |
| <u>1,034,897</u>               | <u>1,034,897</u>               | <b>Change in Net Assets of Governmental Activities</b>   | <u><u>(\$3,520,389)</u></u>  |
| 528,777                        | 544,337                        |  |                              |
| 339,535                        | 700,774                        |  |                              |
| 0                              | 9,924,920                      |  |                              |
| 0                              | 820,000                        |  |                              |
| 0                              | 837,772                        |  |                              |
| <u>3,908,044</u>               | <u>38,519,525</u>              |  |                              |
| <u>539,876</u>                 | <u>(12,183,500)</u>            |  |                              |
| 0                              | 6,716                          |  |                              |
| 37,084                         | 7,370,509                      |  |                              |
| (234,302)                      | (7,370,509)                    |  |                              |
| <u>(197,218)</u>               | <u>6,716</u>                   |  |                              |
| 342,658                        | (12,176,784)                   |  |                              |
| <u>2,251,945</u>               | <u>31,850,839</u>              |  |                              |
| <u><u>\$2,594,603</u></u>      | <u><u>\$19,674,055</u></u>     |  |                              |

**Jackson City School District, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2005*

|  | <u>Budgeted Amounts</u> |                    |                    | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|-------------------------|--------------------|--------------------|---|
|  | <u>Original</u>         | <u>Final</u>       | <u>Actual</u>      |   |
| <b>Revenues</b>                              |                         |                    |                    |   |
| Property Taxes                               | \$4,094,671             | \$4,094,671        | \$4,094,671        | \$0   |
| Intergovernmental                            | 10,613,395              | 12,882,876         | 12,850,868         | (32,008)  |
| Investment Earnings                          | 0                       | 75,903             | 75,903             | 0   |
| Tuition and Fees                             | 283,551                 | 274,106            | 308,347            | 34,241  |
| Rent   | 26,813                  | 32,369             | 32,369             | 0   |
| Gifts and Donations                          | 315                     | 315                | 315                | 0   |
| Miscellaneous                                | 84,614                  | 87,615             | 89,266             | 1,651   |
| <i>Total Revenues</i>                        | <u>15,103,359</u>       | <u>17,447,855</u>  | <u>17,451,739</u>  | <u>3,884</u>  |
| <b>Expenditures</b>                          |                         |                    |                    |   |
| Current:                                     |                         |                    |                    |   |
| Instruction:                                 |                         |                    |                    |   |
| Regular                                      | 8,620,274               | 9,310,238          | 9,428,893          | (118,655)   |
| Special                                      | 1,056,095               | 972,478            | 984,961            | (12,483)  |
| Vocational                                   | 107,375                 | 115,818            | 117,305            | (1,487)   |
| Support Services:                            |                         |                    |                    |   |
| Pupils                                       | 669,141                 | 670,951            | 679,567            | (8,616)   |
| Instructional Staff                          | 884,028                 | 688,186            | 692,632            | (4,446)   |
| Board of Education                           | 143,345                 | 89,479             | 90,627             | (1,148)   |
| Administration                               | 1,601,293               | 1,561,205          | 1,576,142          | (14,937)  |
| Fiscal                                       | 588,813                 | 542,295            | 548,613            | (6,318)   |
| Business                                     | 54,938                  | 60,252             | 61,025             | (773)   |
| Operation and Maintenance of Plant           | 2,131,532               | 2,773,124          | 2,803,390          | (30,266)  |
| Pupil Transportation                         | 1,140,474               | 1,021,932          | 1,033,971          | (12,039)  |
| Central                                      | 12,282                  | 38,811             | 39,115             | (304)   |
| Operation of Non-Instructional Services:     |                         |                    |                    |   |
| Community Services                           | 0                       | 15,363             | 15,560             | (197)   |
| Extracurricular Activities                   | 344,518                 | 364,572            | 369,252            | (4,680)   |
| Debt Service:                                |                         |                    |                    |   |
| Principal                                    | 0                       | 320,000            | 320,000            | 0   |
| Interest                                     | 0                       | 51,478             | 51,478             | 0   |
| <i>Total Expenditures</i>                    | <u>17,354,108</u>       | <u>18,596,182</u>  | <u>18,812,531</u>  | <u>(216,349)</u>  |
| <i>Excess of Revenues Under Expenditures</i> | <u>(2,250,749)</u>      | <u>(1,148,327)</u> | <u>(1,360,792)</u> | <u>(212,465)</u>  |
| <b>Other Financing Sources (Uses)</b>        |                         |                    |                    |   |
| Proceeds from Sale of Capital Assets         | 6,716                   | 6,716              | 6,716              | 0   |
| Transfers In                                 | 0                       | 478,136            | 433,136            | (45,000)  |
| Transfers Out                                | (26,250)                | (181,495)          | (136,207)          | 45,288  |
| Advances Out                                 | 0                       | (717,961)          | (717,961)          | 0   |
| <i>Total Other Financing Sources (Uses)</i>  | <u>(19,534)</u>         | <u>(414,604)</u>   | <u>(414,316)</u>   | <u>288</u>  |
| <i>Net Change in Fund Balance</i>            | (2,270,283)             | (1,562,931)        | (1,775,108)        | (212,177)   |
| <i>Fund Balance at Beginning of Year</i>     | 3,355,024               | 3,355,024          | 3,355,024          | 0   |
| Prior Year Encumbrances Appropriated         | 228,177                 | 228,177            | 228,177            | 0   |
| <i>Fund Balance at End of Year</i>           | <u>\$1,312,918</u>      | <u>\$2,020,270</u> | <u>\$1,808,093</u> | <u>(\$212,177)</u>                                      |

See accompanying notes to the financial statements

**Jackson City School District, Ohio**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2005*

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|  | Private-Purpose<br>Trust | Agency          |
|--|--------------------------|-----------------|
| <b>Assets</b>                              |                          |                 |
| Equity in Pooled Cash and Cash Equivalents | \$1,176,171              | <u>\$65,212</u> |
| <b>Liabilities</b>                         |                          |                 |
| Due to Students                            | 0                        | <u>\$65,212</u> |
| <b>Net Assets</b>                          |                          |                 |
| Endowments                                 | 1,160,871                |                 |
| Held in Trust for Scholarships             | <u>15,300</u>            |                 |
|  | <u>\$1,176,171</u>       |                 |

See accompanying notes to the financial statements

**Jackson City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets*  
*Private-Purpose Trust Funds*  
*June 30, 2005*

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|                                     |                           |
|-------------------------------------|---------------------------|
| <b>Additions</b>                    |                           |
| Investment Earnings                 | \$43,051                  |
| Gifts and Donations                 | <u>4,076</u>              |
| <i>Total Additions</i>              | 47,127                    |
| <b>Deductions</b>                   |                           |
| Scholarships                        | <u>31,827</u>             |
| <i>Change in Net Assets</i>         | 15,300                    |
| <i>Net Assets Beginning of Year</i> | <u>1,160,871</u>          |
| Net Assets End of Year              | <u><u>\$1,176,171</u></u> |

See accompanying notes to the financial statements



## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 1 - Description of the School District and Reporting Entity**

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 111 classified employees and 194 certified teaching and administrative personnel who provide services to 2,724 students and other community members.

#### ***Reporting Entity***

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

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

The School District participates in the Southeastern Ohio Voluntary Educational Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Coalition and Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program which is defined as an insurance purchasing pool. These organizations are presented in Notes 15 and 16.

### **Note 2 - Summary of Significant Accounting Policies**

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

#### ***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide 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.

# Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Government-wide Financial Statements** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary fund. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School 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 School 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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

## **B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

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

**General Fund** The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

**Permanent Improvements Capital Project Fund** The Permanent Improvement Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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**Classroom Facilities Capital Projects Fund** The Classroom Facilities Capital Projects Fund accounts for grant and debt proceeds used for the construction and renovation of the School District's school facilities.

**Jones Trust Permanent Fund** The Jones Trust Permanent Fund is used to account for the proceeds of a gift bestowed upon the School District from Robert F. Jones. The endowment is maintained by and on deposit at National City Bank, which makes all investment decisions on behalf of the School District. Only the interest earned by the endowment can be used by the School District for educational related activities of the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equals liabilities) and does not involve the measurement of results of operations. The School District's fiduciary funds include private-purpose trust funds, which account for student college scholarships, and an agency fund, which accounts for student activities.

### **C. Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (revenues) and decreases (expenses) in total net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

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### **D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, brick sales, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, brick sales, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### ***E. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2005, investments were limited to STAR Ohio, mutual funds, common stock, and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. The weighted average method is used for purposes of determining gains and losses on the sale of investments. The specific identification method is used for purposes of determining gains and losses on the sale of gifted securities. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

The School District has segregated investment accounts for trust monies held separate from the School District's central bank account. This account is presented on the balance sheet as "investments in segregated accounts" since they are kept separate from the School District treasury.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$75,903, which includes \$67,331 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

### ***F. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

### ***G. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed.

### ***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of expendable supplies held for consumption and donated commodities held for resale.

### ***I. Capital Assets***

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. The School District was able to estimate the historical cost for the initial reporting of certain assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <u>Description</u>                    | <u>Estimated Lives</u> |
|---------------------------------------|------------------------|
| Land and Improvements                 | 20 years               |
| Building and Improvements             | 50 years               |
| Furniture, Fixtures, and<br>Equipment | 5-20 years             |
| Vehicles                              | 5-8 years              |

### **J. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

### **K. Compensated Absences**

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are reported as "matured compensated absences payable" in the fund from which the employees who will receive the payment are paid.

### **L. Accrued Liabilities and Long-term Obligations**

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

## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

### ***M. Fund Balance Reserves***

The School District reserves those portions of fund balance which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

### ***N. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans and on interfund services provided and used are classified as "interfund receivables/payables". These amounts are eliminated on the statement of net assets.

### ***O. Estimates***

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

### ***P. Net Assets***

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

The government-wide statement of net assets reports \$21,011,795 of restricted net assets, of which \$15,796,898 is restricted by enabling legislation.

Net assets restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and state grants restricted for specific purposes.

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

### ***Q. 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.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **R. Budgetary Process**

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, 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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate appropriations to the function and object levels without resolution by the Board.

The Certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue 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 in the amended certificate in effect when final appropriations for the fiscal year were passed.

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

### **Note 3 - Changes in Accounting Principle and Restatement of Prior Year Balances**

***Changes in Accounting Principle*** For fiscal year 2005, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements", GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefits Expenditures/Expenses and Liabilities by Cost Sharing Employers", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

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

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

GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which presents information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type activities,



## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

if any, and governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2004, caused by the reclassification of funds based on the guidance provided in Statement No. 34 and the conversion to the accrual basis of accounting.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. This Statement had no effect on the budgetary presentation of the School District for fiscal year 2004.

GASB Statement No. 40 modifies the disclosure requirement for deposit and investment risks.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets.

**Restatement of Fund Balance** For fiscal year 2005, the School District has presented for the first time, financial statements in accordance with generally accepted accounting principles. The following reflects the adjustments made to restate beginning year fund balance:

|  | <u>General</u>     | <u>Bond Retirement</u> | <u>Permanent Improvements</u> | <u>Classroom Facilities</u> |
|--|--------------------|------------------------|-------------------------------|-----------------------------|
| Fund Balances June 30, 2004              | \$2,924,619        | (\$203,136)            | \$20,889,005                  | \$5,720,867                 |
| Cash to GAAP Adjustments                 | <u>(1,415,736)</u> | <u>39,437</u>          | <u>(122,834)</u>              | <u>(2,813,555)</u>          |
| Restated Fund Balances,<br>June 30, 2004 | <u>\$1,508,883</u> | <u>(\$163,699)</u>     | <u>\$20,766,171</u>           | <u>\$2,907,312</u>          |

**Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

|   | Jones<br>Trust     | Nonmajor<br>Funds  | Totals              |
|---|--------------------|--------------------|---------------------|
| Fund Balances June 30, 2004                       | \$0                | \$725,849          | \$30,057,204        |
| Cash to GAAP Adjustments                          | 4,535,687          | 1,299,405          | 1,522,404           |
| Fund Reclassification                             | 44,540             | 226,691            | 271,231             |
| Restated Fund Balances,<br>June 30, 2004          | <u>\$4,580,227</u> | <u>\$2,251,945</u> | 31,850,839          |
| GASB 34 Adjustments:                              |                    |                    |                     |
| Capital Assets                                    |                    |                    | 47,743,618          |
| Accrued Interest Payable                          |                    |                    | (99,729)            |
| Long-Term Liabilities                             |                    |                    | (21,020,818)        |
| Long-Term (Deferred) Assets                       |                    |                    | 2,838,060           |
| Governmental Activities Net Assets, June 30, 2004 |                    |                    | <u>\$61,311,970</u> |

|                                    | <u>Business-Type<br/>Activities</u> |
|------------------------------------|-------------------------------------|
| Fund Equity, June 20, 2004         | \$71,717                            |
| Fund Reclassification              | <u>(71,717)</u>                     |
| Adjusted Net Assets, June 30, 2004 | <u><u>\$0</u></u>                   |

**Note 4 – Fund Deficits**

The following funds had deficit fund balances as of June 30, 2005:

|                               | <u>Deficit</u> |
|-------------------------------|----------------|
| <b>Special Revenue Funds:</b> |                |
| Title VI-B Idea               | \$30,121       |
| Title V                       | 12,235         |
| Drug Free Schools             | 51             |
| <b>Debt Service Fund:</b>     |                |
| Bond Retirement               | 164,005        |
| <b>Capital Projects Fund:</b> |                |
| Classroom Facilities          | 895,713        |

These deficits resulted from the recognition of deferred revenue on grants and payables in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

### Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - 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 major differences between the budget basis and GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

| Net Change in Fund Balance |                             |
|----------------------------|-----------------------------|
| GAAP Basis                 | (\$629,405)                 |
| Revenue Accruals           | (44,038)                    |
| Expenditure Accruals       | 82,285                      |
| Beginning of Year:         |                             |
| Unreported Cash            | 195                         |
| Prepaid Items              | 42,510                      |
| End of Year:               |                             |
| Unreported Cash            | 0                           |
| Prepaid Items              | (67,854)                    |
| Advances                   | (717,961)                   |
| Encumbrances               | <u>(440,840)</u>            |
| Budget Basis               | <u><u>(\$1,775,108)</u></u> |

### Note 6 - Deposits and Investments

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

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

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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

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 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$8,457,941 of the School District's bank balance of \$8,657,941 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School 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 School District or 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 City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

**Investments** Investments are reported at fair value. Common stocks and money market mutual funds are invested through trust agreements with banks who keep the investments in their safekeeping accounts at the Depository Trust Company in “book entry” form. The banks internally designate the securities as owned or pledged by the School District. As of June 30, 2005, the School District had the following investments:

|              | Fair<br>Value | Maturity | Percent of Total<br>Investments |
|--------------|---------------|----------|---------------------------------|
| Mutual Funds | \$2,677,404   | **       | 15.65%                          |
| STAR Ohio    | 12,013,631    | 30 Days  | 70.23%                          |
| Common Stock | 170,825       | N/A      | 1.00%                           |
| Common Stock | 68,607        | N/A      | 0.40%                           |
| Common Stock | 85,311        | N/A      | 0.50%                           |
| Common Stock | 90,756        | N/A      | 0.53%                           |
| Common Stock | 111,380       | N/A      | 0.65%                           |
| Common Stock | 189,365       | N/A      | 1.11%                           |
| Common Stock | 199,188       | N/A      | 1.16%                           |
| Common Stock | 273,249       | N/A      | 1.60%                           |
| Common Stock | 58,993        | N/A      | 0.34%                           |
| Common Stock | 124,827       | N/A      | 0.73%                           |
| Common Stock | 43,176        | N/A      | 0.25%                           |
| Common Stock | 72,479        | N/A      | 0.42%                           |
| Common Stock | 138,451       | N/A      | 0.81%                           |
| Common Stock | 81,482        | N/A      | 0.48%                           |
| Common Stock | 35,038        | N/A      | 0.20%                           |
| Common Stock | 87,685        | N/A      | 0.51%                           |
| Common Stock | 33,864        | N/A      | 0.20%                           |
| Common Stock | 69,443        | N/A      | 0.41%                           |
| Common Stock | 71,213        | N/A      | 0.42%                           |
| Common Stock | 140,253       | N/A      | 0.82%                           |
| Common Stock | 31,307        | N/A      | 0.18%                           |
| Common Stock | 53,336        | N/A      | 0.31%                           |
| Common Stock | 49,754        | N/A      | 0.29%                           |
| Common Stock | 91,908        | N/A      | 0.54%                           |
| Common Stock | 43,538        | N/A      | 0.25%                           |
| Totals       | \$17,106,463  |          | 100.00%                         |

**Interest Rate Risk** The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Rate Risk** STAR Ohio carries a rating of AAAM by Standard and Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard setting service. The School District has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk** is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The School District’s investment policy places no limit it may invest in any one issuer.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real, personal property, and public utility taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The late settlements and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2005, was \$296,681 in the General Fund, \$52,084 in the Bond Retirement Debt Service Fund, and \$43,513 in the Permanent Improvements Capital Projects Fund.

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

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

The assessed values upon which the fiscal year 2005 taxes were collected are:

|   | 2004 Second<br>Half Collections |                | 2005 First<br>Half Collections |                |
|---|---------------------------------|----------------|--------------------------------|----------------|
| Real Property                                 | \$175,550,460                   | 81.13%         | \$179,978,880                  | 80.84%         |
| Public Utility Tangible Personal Property     | 27,414,781                      | 12.67%         | 28,868,728                     | 12.97%         |
| Tangible Personal Property                    | 13,411,740                      | 6.20%          | 13,791,030                     | 6.19%          |
| Total   | <u>\$216,376,981</u>            | <u>100.00%</u> | <u>\$222,638,638</u>           | <u>100.00%</u> |
| Tax Rate per \$1,000 of Assessed<br>Valuation |                                 | \$27.80        |                                | \$27.80        |

### Note 8 - Receivables

Receivables at June 30, 2005, consisted of property taxes, accounts (rents, student fees, brick sales and tuition), interfund, notes, intergovernmental receivables arising from grants and entitlements, and accrued interest on investments. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected in one year.

A summary of the principal items of intergovernmental receivables follows:

| <u>Governmental Activities</u>       | <u>Amounts</u>     |
|--------------------------------------|--------------------|
| Classroom Facilities                 | \$1,922,483        |
| Community Alternative Funding System | 53,905             |
| School Lunch and Breakfast Program   | 55,281             |
| Student Intervention                 | 709                |
| Early Childhood Special Education    | 3,370              |
| Safe and Drug Free Schools           | 1,256              |
| Miscellaneous                        | 2,697              |
| Total                                | <u>\$2,039,701</u> |

### Note 9 - Risk Management

#### A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2005, the School District contracted with the Indiana Insurance Company for property, boiler, general liability, fleet, and professional liability insurance. The types and amounts of coverage provided are as follows:

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

| Property   | Deductible | Limits of Coverage |
|--|------------|--------------------|
| Building and Contents - Replacement Cost             | \$5,000    | \$95,564,700       |
| General Liability:                                   |            |                    |
| Each Occurrence                                      | 0          | 1,000,000          |
| Aggregate Limit                                      | 0          | 2,000,000          |
| Products - Completed Operations Aggregate Limit      | 0          | 2,000,000          |
| Personal and Advertising Injury Limit - Each Offense | 0          | 1,000,000          |
| Fire Damage Limit - Any One Event                    | 0          | 100,000            |
| Errors and Omissions:                                |            |                    |
| Each Occurrence                                      | 2,500      | 1,000,000          |
| Aggregate Limit                                      | 2,500      | 1,000,000          |
| Employers' Liability:                                |            |                    |
| Each Occurrence                                      | 0          | 1,000,000          |
| Disease - Each Employee                              | 0          | 1,000,000          |
| Disease - Policy Limit                               | 0          | 1,000,000          |
| Employee Benefits Liability:                         |            |                    |
| Each Occurrence                                      | 1,000      | 1,000,000          |
| Aggregate Limit                                      | 1,000      | 1,000,000          |
| Hazardous Substances                                 | 0          | 50,000             |
| CFC Refrigeration                                    | 0          | 100,000            |
| Spoilage   | 0          | 5,000              |
| Vehicles:  |            |                    |
| Bodily Injury:                                       |            |                    |
| Per Person   | 0          | 1,000,000          |
| Per Accident   | 0          | 1,000,000          |
| Property Damage                                      | 0          | 1,000,000          |
| Uninsured Motorist:                                  |            |                    |
| Per Person   | 0          | 1,000,000          |
| Per Accident   | 0          | 1,000,000          |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been so significant reduction in insurance coverage from fiscal year 2004.

### **B. Workers' Compensation**

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.



## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

### Note 10 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

|  | Balance at<br>6/30/04 | Additions           | Deductions          | Balance at<br>6/30/05 |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Capital Assets:  |                       |                     |                     |                       |
| Capital Assets not being Depreciated:                  |                       |                     |                     |                       |
| Land   | \$1,645,050           | \$0                 | \$0                 | \$1,645,050           |
| Construction in Progress                               | 30,584,432            | 850,676             | 30,584,432          | 850,676               |
| <b>Total Nondepreciable Capital Assets</b>             | <b>32,229,482</b>     | <b>850,676</b>      | <b>30,584,432</b>   | <b>2,495,726</b>      |
| Depreciable Capital Assets:                            |                       |                     |                     |                       |
| Land Improvements                                      | 341,045               | 3,722,781           | 0                   | 4,063,826             |
| Buildings and Improvements                             | 15,752,307            | 35,796,626          | 0                   | 51,548,933            |
| Furniture, Fixtures, and Equipment                     | 3,033,706             | 11,489              | 0                   | 3,045,195             |
| Vehicles   | 1,875,418             | 127,780             | 40,510              | 1,962,688             |
| <b>Total Depreciable Capital Assets</b>                | <b>21,002,476</b>     | <b>39,658,676</b>   | <b>40,510</b>       | <b>60,620,642</b>     |
| Less Accumulated Depreciation:                         |                       |                     |                     |                       |
| Land Improvements                                      | 128,866               | 88,764              | 0                   | 217,630               |
| Buildings and Improvements                             | 3,287,399             | 1,042,032           | 0                   | 4,329,431             |
| Furniture, Fixtures, and Equipment                     | 952,886               | 266,171             | 0                   | 1,219,057             |
| Vehicles   | 1,119,189             | 151,378             | 40,510              | 1,230,057             |
| <b>Total Accumulated Depreciation</b>                  | <b>5,488,340</b>      | <b>1,548,345 *</b>  | <b>40,510</b>       | <b>6,996,175</b>      |
| <b>Total Capital Assets being<br/>Depreciated, Net</b> | <b>15,514,136</b>     | <b>38,110,331</b>   | <b>0</b>            | <b>53,624,467</b>     |
| <b>Capital Assets, Net</b>                             | <b>\$47,743,618</b>   | <b>\$38,961,007</b> | <b>\$30,584,432</b> | <b>\$56,120,193</b>   |

\*Depreciation expense was charged to governmental functions as follows:

|                                    |                    |
|------------------------------------|--------------------|
| Instruction:                       |                    |
| Regular                            | \$537,709          |
| Special                            | 134,427            |
| Vocational                         | 8,147              |
| Support Services:                  |                    |
| Pupils                             | 40,859             |
| Instructional Staff                | 97,765             |
| Administration                     | 115,604            |
| Fiscal                             | 24,441             |
| Business                           | 8,147              |
| Operation and Maintenance of Plant | 112,135            |
| Pupil Transportation               | 257,965            |
| Food Service Operation             | 111,319            |
| Extracurricular Activities         | 99,827             |
| <b>Total Depreciation Expense</b>  | <b>\$1,548,345</b> |

## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 11 - Defined Benefit Pension Plans**

#### ***A. School Employees Retirement System***

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$333,631, \$291,229, and \$134,750, respectively; 49.76 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

#### ***B. State Teachers Retirement System***

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

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

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

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were \$1,229,049, \$1,201,630, and \$1,080,411 respectively; 83.73 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$2,597 made by the School District and \$6,129 made by the plan members.

### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 12 - Postemployment Benefits**

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$94,542 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid \$163,582 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005, (the latest information available), were \$178,221,113 and the target level was \$267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has approximately 58,123 participants receiving health care benefits.

### **Note 13 - Employee Benefits**

#### ***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to sick leave accrual. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 63 days for classified employees.

#### ***B. Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$50,000.

Health insurance is provided by United Healthcare. Monthly premiums for this coverage are \$923.99 for family plans and \$336.00 for single plans. Dental and vision insurance is provided by Guardian Insurance. Monthly premiums for this coverage are \$48.65 for family plans and \$18.23 for single coverage. The School District pays 100 percent for both family and single coverage premiums.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

### Note 14 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2005 were as follows:

|   | Principal<br>Outstanding<br>6/30/04 | Additions        | Deductions       | Principal<br>Outstanding<br>6/30/05 | Amounts<br>Due in<br>One Year |
|---|-------------------------------------|------------------|------------------|-------------------------------------|-------------------------------|
| <b>Governmental Activities:</b>                                     |                                     |                  |                  |                                     |                               |
| 2001 3.25-5.50% Classroom<br>Facilities General Obligation<br>Bonds |                                     |                  |                  |                                     |                               |
| Serial Bonds  | \$6,330,000                         | \$0              | \$225,000        | \$6,105,000                         | \$250,000                     |
| Term Bonds  | 6,700,000                           | 0                | 0                | 6,700,000                           | 0                             |
| Capital Appreciation<br>Accretion on Capital<br>Appreciation Bonds  | 174,058                             | 0                | 0                | 174,058                             | 0                             |
|   | 132,626                             | 63,736           | 0                | 196,362                             | 0                             |
| 2001 4.20 to 4.75% Classroom<br>Facilities Tax Anticipation Notes   |                                     |                  |                  |                                     |                               |
|   | 2,795,000                           | 0                | 275,000          | 2,520,000                           | 295,000                       |
| 2004 3.25% Alumni Stadium<br>Lease-Purchase Agreement               |                                     |                  |                  |                                     |                               |
|   | 3,200,000                           | 0                | 320,000          | 2,880,000                           | 320,000                       |
| Compensated Absences  | 1,689,134                           | 189,279          | 28,287           | 1,850,126                           | 190,385                       |
| <b>Total Governmental Activities<br/>Long-Term Liabilities</b>      | <b>\$21,020,818</b>                 | <b>\$253,015</b> | <b>\$848,287</b> | <b>\$20,425,546</b>                 | <b>\$1,055,385</b>            |

**Classroom Facilities General Obligation Bonds** The School District issued Classroom Facilities General Obligation Bonds for \$13,384,058 as a result of the School District being approved for a \$45,525,352 classroom facilities grant through the Ohio School Facilities Commission for the construction of a new high school and two elementary schools, and improvements to an additional elementary school and middle school. The School District issued the bonds on May 20, 2001, to provide the required local match for the classroom facilities loan. As a requirement of the loans, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

Principal and interest requirements to retire the Classroom Facilities General Obligation Bonds outstanding at June 30, 2005, are as follows:

| Fiscal Year<br>Ending June 30, | Serial             | Serial             | Capital          | Capital            |
|--------------------------------|--------------------|--------------------|------------------|--------------------|
|                                | Bond               | Bond               | Appreciation     | Appreciation       |
|                                | Principal          | Interest           | Bond             | Bond               |
|                                |                    |                    | Principal        | Interest           |
| 2006                           | \$250,000          | \$662,045          | \$0              | \$0                |
| 2007                           | 290,000            | 652,670            | 0                | 0                  |
| 2008                           | 315,000            | 641,360            | 0                | 0                  |
| 2009                           | 330,000            | 628,602            | 0                | 0                  |
| 2010                           | 365,000            | 614,743            | 0                | 0                  |
| 2011-2015                      | 810,000            | 1,180,935          | 140,080          | 3,018,882          |
| 2016-2020                      | 1,110,000          | 1,096,550          | 33,978           | 1,054,009          |
| 2021-2025                      | 2,635,000          | 1,019,888          | 0                | 0                  |
| 2026-2028                      | 0                  | 0                  | 0                | 0                  |
|                                | <b>\$6,105,000</b> | <b>\$6,496,793</b> | <b>\$174,058</b> | <b>\$4,072,891</b> |

| Fiscal Year<br>Ending June 30, | Term<br>Bond<br>Principal | Term<br>Bond<br>Interest | Total               |
|--------------------------------|---------------------------|--------------------------|---------------------|
| 2006                           | \$0                       | \$0                      | \$912,045           |
| 2007                           | 0                         | 0                        | 942,670             |
| 2008                           | 0                         | 0                        | 956,360             |
| 2009                           | 0                         | 0                        | 958,602             |
| 2010                           | 0                         | 0                        | 979,743             |
| 2011-2015                      | 0                         | 0                        | 5,149,897           |
| 2016-2020                      | 1,355,000                 | 967,850                  | 5,617,387           |
| 2021-2025                      | 1,790,000                 | 668,650                  | 6,113,538           |
| 2026-2028                      | 3,555,000                 | 381,675                  | 3,936,675           |
|                                | <b>\$6,700,000</b>        | <b>\$2,018,175</b>       | <b>\$25,566,917</b> |

The serial bonds, issued at \$6,510,000 with bonds maturing on December 1, 2002 to December 1, 2023 are subject to optional redemption, in whole or in part, at the option of the School District, in integral multiples of \$5,000, after December 1, 2011 at the redemption rate of 100%, plus accrued interest to the redemption date.

The term bonds, issued at \$6,700,000, maturing on December 1, 2020 to December 1, 2027 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 the years and in the respective principal amounts as follows:

| Ending June 30, | Amount             |
|-----------------|--------------------|
| 2019            | \$655,000          |
| 2020            | 700,000            |
| 2021            | 750,000            |
| 2025            | 1,040,000          |
| 2026 - 2028     | 3,555,000          |
| Total           | <b>\$6,700,000</b> |

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

The capital appreciation bonds, issued at \$174,058, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2013 to December 1, 2016. The maturity amounts of the capital appreciation bonds are \$480,000, \$490,000, \$500,000, and \$525,000. Accretion on the capital appreciation bonds at June 30, 2005 is \$196,362.

**Classroom Facilities Tax Anticipation Notes** The School District issued Classroom Facilities Tax Anticipation Notes in the amount of \$3,300,000 for classroom facilities additions and improvements. The notes were issued on May 15, 2001, and are backed by the full faith and credit of the School District.

Principal and interest requirements to retire the Classroom Facilities Tax Anticipation Notes outstanding at June 30, 2005, are as follows:

| Fiscal Year<br>Ending June 30, | Principal          | Interest         | Total              |
|--------------------------------|--------------------|------------------|--------------------|
| 2006                           | \$295,000          | \$114,480        | \$409,480          |
| 2007                           | 315,000            | 101,943          | 416,943            |
| 2008                           | 335,000            | 88,240           | 423,240            |
| 2009                           | 355,000            | 73,332           | 428,332            |
| 2010                           | 380,000            | 57,180           | 437,180            |
| 2011-2012                      | 840,000            | 60,600           | 900,600            |
|                                | <u>\$2,520,000</u> | <u>\$495,775</u> | <u>\$3,015,775</u> |

**Alumni Stadium Lease-Purchase Agreement** The School District authorized financing for new athletic facilities in the amount of \$3,200,000 through a lease-purchase agreement with Oak Hill Banks which will retain title to the facility during the lease term. The lease-purchase agreement was issued on March 1, 2004. The School District is required to make semiannual payments of interest and annual payment of principal with final maturity on March 1, 2014.

Principal and interest requirements to retire the Alumni Stadium Lease-Purchase Agreement outstanding at June 30, 2005, are as follows:

| Fiscal Year<br>Ending June 30, | Principal          | Interest         | Total              |
|--------------------------------|--------------------|------------------|--------------------|
| 2006                           | \$320,000          | \$93,600         | \$413,600          |
| 2007                           | 320,000            | 83,200           | 403,200            |
| 2008                           | 320,000            | 72,800           | 392,800            |
| 2009                           | 320,000            | 62,400           | 382,400            |
| 2010                           | 320,000            | 52,000           | 372,000            |
| 2011-2014                      | 1,280,000          | 104,000          | 1,384,000          |
|                                | <u>\$2,880,000</u> | <u>\$468,000</u> | <u>\$3,348,000</u> |

Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, and the Food Service, Title VI-B Idea, Title I, Title V, and the Title II-A Special Revenue Funds.

The School District's overall legal debt margin was \$6,894,414, with an unvoted debt margin of \$222,639 at June 30, 2005.

## **Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

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### **Note 15 - Jointly Governed Organizations**

#### **A. Southeast Ohio Voluntary Educational Consortium**

The Southeast Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 38 participants consisting of 30 school districts and 8 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$43,658 for services provided during the fiscal year. To obtain financial information write to the Southeast Ohio Voluntary Educational Consortium, Bobbi Weidner, Treasurer, at 221 North Columbus Road, Athens, Ohio 45701.

#### **B. Gallia-Jackson-Vinton Joint Vocational School District**

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donnalyn Smith who serves as Treasurer, P.O. Box 157, Rio Grande, Ohio, 45674.

#### **C. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools (Coalition) consists of over one hundred school districts in southeastern Ohio. The Coalition is operated by a fourteen member Board which consists of one superintendent from each County elected by the school districts within that County. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. The School District paid the Coalition \$300 for services provided during the year.

#### **D. South Eastern Ohio Special Education Regional Resource Center**

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

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District did not make any payments to the SERRC for services provided during the year. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Education Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.



## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

### Note 16 - Insurance Purchasing Pool

#### *Ohio School Board Workers' Compensation Group Rating Program*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

### Note 17 – Contractual Commitments

As of June 30, 2005, the School District had contractual purchase commitments for the completion of construction of the new elementary, middle, and high schools, and a child development center and a sports complex are as follows:

| Project                     | Fund  | Contract Amount     | Amount Expended     | Balance at 06/30/05 |
|-----------------------------|---|---------------------|---------------------|---------------------|
| Westview Elementary School  | Classroom Facilities<br>Capital Projects Fund | \$10,197,255        | \$9,894,928         | \$302,327           |
| Southview Elementary School | Classroom Facilities<br>Capital Projects Fund | 8,810,906           | 8,709,712           | 101,194             |
| Lick Elementary School      | Classroom Facilities<br>Capital Projects Fund | 373,488             | 298,790             | 74,698              |
| Middle School               | Classroom Facilities<br>Capital Projects Fund | 9,812,058           | 4,185,633           | 5,626,425           |
| High School                 | Classroom Facilities<br>Capital Projects Fund | 25,982,091          | 21,311,906          | 4,670,185           |
| Total                       |   | <u>\$55,175,798</u> | <u>\$44,400,969</u> | <u>\$10,774,829</u> |

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005*

### Note 18 - Interfund Activity and Balances

#### A. Transfers

| <b>Transfer from</b>           | <b>Transfer to</b> |                           |                         |                 |                                   | <b>Totals</b>      |
|--------------------------------|--------------------|---------------------------|-------------------------|-----------------|-----------------------------------|--------------------|
|                                | General            | Permanent<br>Improvements | Classroom<br>Facilities | Jones<br>Trust  | Other<br>Nonmajor<br>Governmental |                    |
| General Fund                   | \$0                | \$99,123                  | \$0                     | \$0             | \$37,084                          | \$136,207          |
| Permanent<br>Improvements      | 0                  | 0                         | 7,000,000               | 0               | 0                                 | 7,000,000          |
| Other Nonmajor<br>Governmental | 34,092             | 180,400                   | 0                       | 19,810          | 0                                 | 234,302            |
| <b>Total All Funds</b>         | <b>\$34,092</b>    | <b>\$279,523</b>          | <b>\$7,000,000</b>      | <b>\$19,810</b> | <b>\$37,084</b>                   | <b>\$7,370,509</b> |

The transfers were used to move revenues from the fund that statute or budget requires collect them to the fund that statute or budget requires to spend them; to use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and to move money into the Classroom Facilities Capital Projects Fund to be used for the construction of the School District's new facilities.

#### B. Interfund Balances

The General Fund made a \$717,961 advance to the Bond retirement Debt Service Fund and a \$63 advance to the Athletics Special Revenue Fund. The advance to the Bond Retirement Debt Service Fund was made for the School District's debt service requirements and the advance to the Athletics Special Revenue Fund is due to time lags between the dates interfund goods and services are provided, transactions recorded in the accounting system, and payments between funds were made. All of these amounts are expected to be received within one year.

### Note 19 - Contingencies

#### A. Grants

The School District receives financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

#### B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005

### Note 20 - Set-Aside Calculations

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

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

|   | <u>Textbooks</u>   | <u>Capital<br/>Improvements</u> |
|---|--------------------|---------------------------------|
| Set-Aside Reserve Balance as of<br>as of June 30, 2004      | (\$544,118)        | (\$231,525)                     |
| Current Year Set-Aside Requirement                          | 392,116            | 392,115                         |
| Current Year Offsets  | 0                  | (159,622)                       |
| Qualifying Disbursements                                    | <u>(389,469)</u>   | <u>(2,452,240)</u>              |
| Totals  | <u>(\$541,471)</u> | <u>(\$2,451,272)</u>            |
| Set-Aside Balance Carried Forward<br>to Future Fiscal Years | <u>(\$541,471)</u> | <u>(\$2,451,272)</u>            |
| Set-Aside Reserve Balance as of June 30, 2005               | <u>(\$541,471)</u> | <u>\$0</u>                      |

The School District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amount in the textbooks set-aside and a portion of the capital improvement set-aside may be used to reduce the set-aside requirements for future years.

**JACKSON CITY SCHOOL DISTRICT**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2005

| <u>Federal Grantor/Program Title</u>  | <u>Pass Through<br/>Entity<br/>Number</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Federal<br/>Revenues</u> | <u>Federal<br/>Expenditures</u> |
|---|---|------------------------------------|-----------------------------|---------------------------------|
| <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>  |   |                                    |                             |                                 |
| <i>Passed through Ohio Department of Education:</i>   |   |                                    |                             |                                 |
| Nutrition Cluster:  |   |                                    |                             |                                 |
| Food Donation   | N/A                                       | 10.550                             | \$ 65,157                   | 65,157                          |
| School Breakfast Program  | 05PU                                      | 10.553                             | 90,136                      | 90,136                          |
| National School Lunch Program   | LLP4                                      | 10.555                             | <u>341,804</u>              | <u>341,804</u>                  |
| Total Nutrition Cluster:  |   |                                    | <u>497,097</u>              | <u>497,097</u>                  |
| Team Nutrition  |   | 10.574                             | -                           | 1,190                           |
| Total U.S. Department of Agriculture  |   |                                    | <u>497,097</u>              | <u>498,287</u>                  |
| <b><u>U.S. DEPARTMENT OF EDUCATION</u></b>  |   |                                    |                             |                                 |
| <i>Passed through Ohio Department of Education:</i>   |   |                                    |                             |                                 |
| Title I Grants to Local Educational Agencies  | C1S1                                      | 84.010                             | 631,176                     | 635,789                         |
| Special Education Cluster:  |   |                                    |                             |                                 |
| Special Education - Grants to States  | 6BSF                                      | 84.027                             | 620,619                     | 489,698                         |
| Special Education - Preschool Grants  | PGS1                                      | 84.173                             | <u>43,444</u>               | <u>43,444</u>                   |
| Total Special Education Cluster   |   |                                    | <u>664,063</u>              | <u>533,142</u>                  |
| Safe and Drug-Free Schools and Communities -<br>State Grants  | DRS1                                      | 84.186                             | 17,571                      | 20,339                          |
| Innovative Education Program Strategies   | C2S1                                      | 84.298                             | 13,015                      | 13,603                          |
| Education Technology State Grants   | TJS1                                      | 84.318                             | 16,351                      | 25,161                          |
| Improving Teacher Quality State Grants  | TRS1                                      | 84.367                             | <u>167,317</u>              | <u>118,701</u>                  |
| Total U.S. Department of Education  |   |                                    | <u>1,509,493</u>            | <u>1,346,735</u>                |
| <b><u>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</u></b>  |   |                                    |                             |                                 |
| <i>Passed through the Ohio Department of Mental<br/>Retardation and Developmental Disabilities:</i> |   |                                    |                             |                                 |
| Medical Assistance Program  | N/A                                       | 93.778                             | 87,513                      | 87,513                          |
| State Children's Insurance Program  | N/A                                       | 93.767                             | <u>4,564</u>                | <u>4,564</u>                    |
| Total U.S. Department of Health & Human Services  |   |                                    | <u>92,077</u>               | <u>92,077</u>                   |
| Total Federal Awards  |   |                                    | \$ <u>2,098,667</u>         | <u>1,937,099</u>                |

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B - NUTRITION CLUSTER**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Jackson City School District:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson City School District as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated June 28, 2006, wherein we noted that the District implemented Governmental Accounting Standards Board Statements 34, 37, 38, 39, 40 and 46, Governmental Accounting Standards Board Interpretation 6 and Governmental Accounting Standards Board Technical Bulletin 2004-2. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2005-1 through 2005-2.

We also noted certain matters that we reported to management of the School District in a separate letter dated June 28, 2006.

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



Cincinnati, Ohio  
June 28, 2006



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

To the Board of Education  
Jackson City School District:

Compliance

We have audited the compliance of Jackson City School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Jackson City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Jackson City School District's management. Our responsibility is to express an opinion on Jackson City School District's compliance based on our audit.

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

In our opinion, Jackson City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

## Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
June 28, 2006



**JACKSON CITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2005

**Section I - Summary of Auditors' Results**

**Financial Statements**

|  |             |
|--|-------------|
| Type of report issued on financial statements:                               | unqualified |
| Internal control over financial reporting:                                   |             |
| Material weakness(es) identified?  | none        |
| Reportable condition(s) identified not considered to be material weaknesses? | none        |
| Noncompliance material to financial statements noted?                        | yes         |

**Federal Awards**

|   |             |
|---|-------------|
| Internal Control over major programs:   |             |
| Material weakness(es) identified?   | none        |
| Reportable condition(s) identified not considered to be material weaknesses?                            | none        |
| Type of auditors' report issued on compliance for major programs:                                       | unqualified |
| Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)? | none        |
| Identification of major programs:   |             |
| <i>Nutrition Cluster (CFDA's 10.550, 10.553, and 10.555)</i>  |             |
| <i>Special Education Cluster (CFDA's 84.027 and 84.173)</i>   |             |
| Dollar threshold to distinguish between Type A and Type B Programs:                                     | \$300,000   |
| Auditee qualified as low-risk auditee?  | yes         |

## Section II - Financial Statement Findings

### NONCOMPLIANCE

#### 2005-1 Budget Document

Ohio Rev. Code, Section 5705.36, states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The School District did not file this certificate with the County Auditor.

*Management Response - The District files its 5-year forecast in lieu of a tax budget and in accordance with the County Auditor's guidelines.*

#### 2005-2 Estimated Resources

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Since the School District did not file a certificate of estimated resources with the County Auditor until June 21, 2005, appropriations exceeded estimated resources in all funds throughout the fiscal year until June 21, 2005. At June 30, 2005, the School District had appropriations exceeding estimated resources by \$5,579,147 in the Classroom Facilities Fund.

*Management Response - The District files its 5-year forecast in lieu of a tax budget and in accordance with the County Auditor's guidelines. The District's fiscal year appropriations did include a certificate of estimated resources as filed with the County Auditor on June 21, 2005. In addition, the Board of Education is provided with monthly revenue and expenditure summaries. And finally, the District's five year forecast is reported on throughout the fiscal year with such reports documented. The district's five year forecasting procedures include a monthly reconciliation of actual cash flow (revenue and expenditures) with annual projections. The five year forecast is updated when warranted by the cash flow analysis thus minimizing the compounding of forecasting errors over the five-year period. The OSFC project fund was reflecting a negative balance because its approval of an Ohio School Facilities Commission budget increase was pending. The Commissions approval of the \$8,000,000 increase came in February, 2006.*

## Section III - Federal Award Findings and Questioned Costs

None

# JACKSON CITY SCHOOL DISTRICT

## Schedule of Prior Audit Findings

Year Ended June 30, 2005

### 2004-1 Non-payroll Cash Disbursements

Condition: As part of our testing of internal control over non-payroll cash disbursements, we selected a sample of sixty (60) cash disbursements from throughout the fiscal year. Our test indicated that seven (7) items had one or more of the following deviations from the School District's stated internal control procedures:

- No requisition authorized by the building principal or appropriate supervisory personnel.
- No requisition authorized by the Assistant Superintendent.
- Invoice/purchase order or requisition was not marked "ok to pay", initialed or signed by the purchaser.
- The voucher pack was not stamped "paid".

Deviations from internal control policies procedures could result in the misappropriation of public funds or overpayments to vendors.

Recommendation: It was recommended the School District review its internal control procedures over non-payroll cash disbursements and take steps to ensure that internal controls are properly performed prior to the disbursement of cash.

Current Status: No such instances were noted during the current audit.

### 2004-2 Payroll

Condition: The School District's internal control procedures over payroll specify that each principal or administrator sign the "long pay sheet" for each pay period for the employees under their supervision. The long pay sheet is intended to provide support and approval for the hours each employee worked during the pay period. As part of our testing of internal control over payroll cash disbursements, we selected a sample of sixty (60) payroll disbursements from throughout the fiscal year. The long pay sheet was not signed by the principal or administrator for eight (8) of the items we selected for testing. A lack of proper approval of time worked could result in the overpayment of employees.

Recommendation: It was recommended that the School District review its internal control procedures for payroll and require the approval of the long pay sheet prior to the processing of payroll.

Current Status: No such instances were noted during the current audit.

#### 2004-3 Financial Statements

Condition: Ohio Administrative Code, Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District had prepared its financial statements on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles.

Current Status: The School District prepared statements in accordance with generally accepted accounting principles for the year ended June 30, 2005.

#### 2004-4 Budget Document

Condition: Ohio Rev. Code, Section 5705.36, states on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year. The District did not file this certificate with the County Auditor.

Current Status: The School District did not file this certificate with the county Auditor until June 21, 2005. This comment was repeated as Finding 2005-1.

#### 2004-5 Estimated Resources

Condition: Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Since the School District did not file a certificate of estimated resources with the County Auditor until June 29, 2004, appropriations exceeded estimated resources in all funds throughout the fiscal year.

Current Status: The District did not file this certificate with the County Auditor until June 21, 2005. This comment was repeated as Finding 2005-2.

### 2004-6 Appropriations

Condition: Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. The fiscal year 2004 expenditures were greater than appropriations for the General Fund and Bond Retirement Fund. Also, we examined fund appropriations and expenditures as of November 30, 2003 and noted the State Grants Fund, Permanent Improvement Fund, and Classroom Facilities Fund all had expenditures in excess of appropriations.

Current Status: This was partially corrected during the year ended June 30, 2005; therefore, this item will be included in the management letter.

### 2004-7 Negative Fund Balances

Condition: Ohio Rev. Code, Section 5705.10, states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. At June 30, 2004, the Special Education Fund and Bond Retirement Fund had negative fund balances.

Current Status: The Bond Retirement Fund and Classroom Facilities Fund had negative balances at June 30, 2005; therefore, this comment will be repeated as Finding 2005-3.

### 2004-8 Non-payroll Cash Disbursements

Condition: The reportable condition described at Finding 2004-1 was applicable to the School District's major federal programs.

Current Status: No such instances were noted during the current audit.

### 2004-9 Payroll

Condition: The reportable condition described at Finding 2004-2 was applicable to the School District's major federal programs.

Current Status: No such instances were noted during the current audit.





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**JACKSON CITY SCHOOL DISTRICT**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 28, 2006**