



**Auditor of State
Betty Montgomery**

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, as of June 30, 2005 and June 30, 2004, and the respective changes in the cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the fiscal year ended June 30, 2004, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2006, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Betty Montgomery
Auditor of State

March 28, 2006

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of Jackson Center Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of the School District's cash basis of accounting. 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 cash basis basic financial statements and the notes to the cash basis basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net cash assets of governmental activities decreased \$625,397 which represents a 62.31 percent decrease from 2004. The decrease is attributable to an increase in payroll expenditures, payments for the completion of the high school addition project and increase in utility costs.
- General cash receipts accounted for \$3,964,657 or 80.34 percent of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$970,480 or 19.66 percent of total governmental activities cash receipts of \$4,935,137.
- The School District had \$5,560,534 in cash disbursements related to governmental activities; \$970,480 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,964,657 were not adequate to provide for these programs.
- The School District's major governmental funds are the general and permanent improvement funds. The general fund had \$4,002,690 in cash receipts and \$4,550,933 in cash disbursements and other financing uses. During fiscal year 2005, the general fund's fund cash balance decreased \$424,143 from \$641,708 to \$217,565.
- The permanent improvement fund had \$56,501 in cash receipts and \$54,154 in cash disbursements. During fiscal year 2005, the permanent improvement fund balance increased \$2,347 from \$65,848 to \$68,195.

Using these Cash Basis Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's cash basis finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis - While these documents contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The School District's Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis can be found on pages 11-12 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements - The analysis of the School District's major governmental funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude 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 and permanent improvement 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 year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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(Continued)**

Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 13-15 of this report.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate Statement of Fiduciary Net Assets on page 16. This cash is excluded from the School District's other financial statements because the cash cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 17-34 of this report.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. The table below provides a summary of the School District's net cash assets for 2005 and 2004.

	Net Cash Assets	
	Governmental Activities 2005	Governmental Activities 2004
Assets		
Equity in pooled cash and cash equivalents	\$378,361	\$996,230
Cash with fiscal agent		7,528
Total assets	378,361	1,003,758
Net Cash Assets		
Restricted	154,837	353,832
Unrestricted	223,524	649,926
Total net cash assets	\$378,361	\$1,003,758

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the School District's total net cash assets were \$378,361.

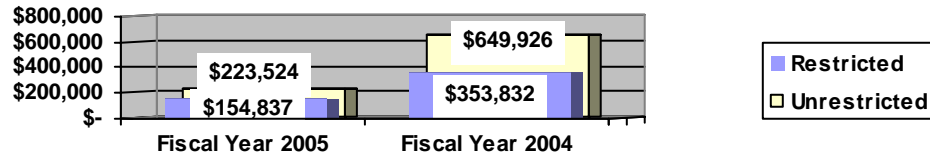
A portion of the School District's net cash assets, \$154,837 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$223,524 may be used to meet the government's ongoing obligations to students and creditors.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The graph below presents the School District's governmental activities restricted and unrestricted net assets for fiscal year 2005 and 2004.

Governmental Activities - Restricted and Unrestricted Net Cash Assets



The table below shows the change in net cash assets for fiscal year 2005 and 2004:

	Change in Net Cash Assets	
	Governmental Activities 2005	Governmental Activities 2004
Cash Receipts		
Program cash receipts:		
Charges for services and sales	\$607,958	\$562,598
Operating grants and contributions	357,692	304,248
Capital grants and contributions	4,830	
General cash receipts:		
Property taxes	2,129,820	1,925,988
Grants and entitlements	1,675,256	1,780,268
Investment earnings	17,510	23,959
Other	142,071	102,915
Total cash receipts	4,935,137	4,699,976
Cash Disbursements		
Program expenses:		
Instruction:		
Regular	2,346,125	2,262,331
Special	450,621	423,025
Vocational	61,077	54,644
Support services:		
Pupil	207,013	254,714
Instructional staff	163,716	245,093
Board of education	13,187	14,341
Administration	382,824	397,566
Fiscal	245,621	252,211
Operations and maintenance	512,125	388,350
Pupil transportation	195,097	166,171
Central	7,920	
Food service operations	198,754	181,997
Extracurricular activities	177,877	165,885
Facilities acquisition and construction	261,662	1,829,095
Debt service:		
Principal retirement	130,000	185,000
Interest and fiscal charges	206,915	213,149
Total cash disbursements	5,560,534	7,033,572
Change in net cash assets	(625,397)	(2,333,596)
Net cash assets at beginning of year	1,003,758	3,337,354
Net cash assets at end of year	\$378,361	\$1,003,758

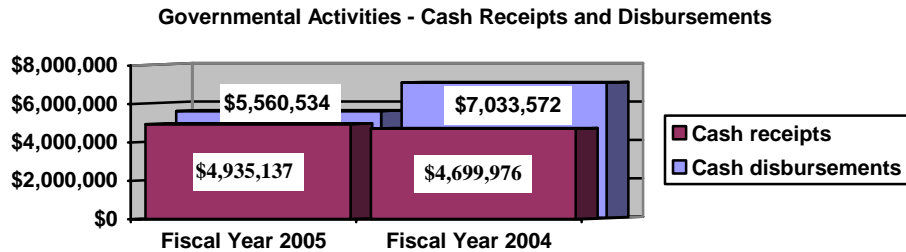
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities

Net cash assets of the School District's governmental activities decreased \$625,397. Total governmental cash disbursements of \$5,560,534 were offset by program cash receipts of \$970,480 and general cash receipts of \$3,964,657. Program cash receipts supported 17.45 percent of the total governmental cash disbursements. The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipts sources represent 77.10 percent of total governmental cash receipts. The largest cash disbursement of the School District is for instructional programs. Instruction cash disbursements totaled \$2,857,823 or 51.39 percent of total governmental cash disbursements for fiscal 2005.

The graph below presents the School District's governmental activities cash receipts and cash disbursements for fiscal year 2005 and 2004.



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

<u>Governmental Activities</u>	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>	<u>Total Cost of Services 2004</u>	<u>Net Cost of Services 2004</u>
Program cash disbursements				
Instruction:				
Regular	\$2,346,125	\$1,854,788	\$2,262,331	\$1,803,832
Special	450,621	354,588	423,025	318,703
Vocational	61,077	59,909	54,644	54,644
Support services:				
Pupil	207,013	130,074	254,714	252,777
Instructional staff	163,716	159,159	245,093	219,106
Board of education	13,187	10,355	14,341	14,341
Administration	382,824	382,174	397,566	395,866
Fiscal	245,621	234,699	252,211	248,378
Operations and maintenance	512,125	512,125	388,350	386,877
Pupil transportation	195,097	195,097	166,171	166,171
Central	7,920	7,267		
Food service operations	198,754	33,558	181,997	26,530
Extracurricular activities	177,877	87,968	165,885	84,727
Facilities acquisition and construction	261,662	257,925	1,829,095	1,824,320
Debt service:				
Principal retirement	130,000	119,754	185,000	172,150
Interest and fiscal charges	206,915	190,614	213,149	198,304
Total cash disbursements	<u>\$5,560,534</u>	<u>\$4,590,054</u>	<u>\$7,033,572</u>	<u>\$6,166,726</u>

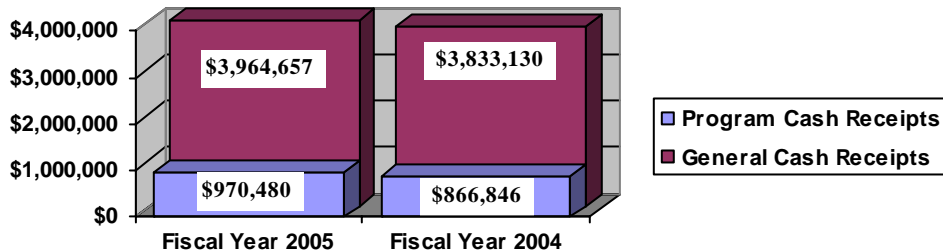
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The dependence upon tax and other general cash receipts for governmental activities is apparent, 79.41 percent of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 82.55 percent. The School District's taxpayers, as a whole, are by far the primary support for School District's students.

The graph below presents the School District's governmental activities cash receipts for fiscal year 2005 and 2004.

Governmental Activities - General and Program Cash Receipts



The School District's Funds

The School District's governmental funds reported a combined fund cash balance of \$378,361, which is lower than last year's total of \$1,003,758. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2005 and 2004.

	Fund Cash Balance June 30, 2005	Fund Cash Balance June 30, 2004	Increase (Decrease)	Percentage Change
General	\$217,565	\$641,708	(\$424,143)	(66.10) %
Permanent	68,195	65,848	2,347	3.56 %
Other Governmental	92,601	296,202	(203,601)	(68.74) %
Total	\$378,361	\$1,003,758	(\$625,397)	(62.31) %

General Fund - The School District's general fund cash balance decreased \$424,143. The decrease in fund cash balance can be attributed to several items related to decreasing intergovernmental cash receipts and increased cash disbursements. Cash disbursements exceed cash receipts for fiscal year 2005 by \$374,943. The table that follows assists in illustrating the cash financial activities of the general fund.

	2005 Amount	2004 Amount	Increase (Decrease)	Percentage Change
Cash Receipts				
Taxes	\$1,775,146	\$1,555,264	\$219,882	14.14 %
Tuition	376,646	339,909	36,737	10.81 %
Earnings on investments	17,510	23,959	(6,449)	(26.92) %
Intergovernmental	1,675,256	1,780,268	(105,012)	(5.90) %
Other revenues	158,132	114,955	43,177	37.56 %
Total	4,002,690	3,814,355	188,335	4.94 %
Cash Disbursements				
Instruction	2,654,087	2,525,176	128,911	5.11 %
Support services	1,610,192	1,666,880	(56,688)	(3.40) %
Extracurricular activities	87,703	89,932	(2,229)	(2.48) %
Facilities acquisition and construction	25,651	17,287	8,364	48.38 %
Total	\$4,377,633	\$4,299,275	\$78,358	1.82 %

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Permanent Improvement Fund - The permanent improvement fund had \$56,501 in cash receipts and \$54,154 in cash disbursements. During fiscal year 2005, the permanent improvement fund's fund cash balance increased \$2,347 from \$65,848 to \$68,195.

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 budget several times. For the general fund, original budgeted revenues and other financing sources were \$3,742,843 and final budgeted revenues and other financing sources were \$4,136,443. Actual revenues and other financing sources for fiscal 2005 was \$4,126,790. This represents a \$9,653 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$4,382,767 were increased to \$4,698,467 in the final appropriations. The actual budget basis expenditures for fiscal year 2005 totaled \$4,579,129, which was \$119,338 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets - The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$261,662 during fiscal year 2005.

Debt Administration - At June 30, 2005, the School District had \$4,405,000 in general obligation bonds. Of this total, \$130,000 is due within one year and \$4,275,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End		
	<u>Governmental Activities</u>	<u>Governmental Activities</u>
	<u>2005</u>	<u>2004</u>
General obligation bonds	<u>\$4,405,000</u>	<u>\$4,535,000</u>

At June 30, 2005, the School District's overall legal debt margin was \$833,506, and an unvoted debt margin of \$57,912.

See Note 8 to the basic financial statements for additional information on the School District's debt administration.

Current Financial Related Activities

The School District faces a number of challenges in the future. As the preceding information shows, the School District relies heavily on property taxes to fund operations. The long term impact of the elimination of the Personal Property Tax in the latest budget bill will have an adverse effect on the financial health of the School District should the School District not experience significant residential growth.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

While in the short term the budget bill included provisions for replacement of lost personal property tax revenue the replacement is only temporary. The amount of the replacement funds for the School District is approximately 12.50 mills.

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

Another equally challenging situation is the School District's enrollment. The School District's enrollment which has seen declines in the past 2 -3 years has stabilized in the current school year at approximately 510 students. One potential challenge is that there is very little new housing in the School District and the overall age of the School District is increasing. Due to this factor the School District relies on Open Enrollment students to help fund the operations of the School District. The School District has recently experienced an increase of students leaving via Open Enrollment and is striving to enhance the academic environment in order to reduce the number of students Open Enrolling elsewhere. This effort is also an attempt to encourage additional open enrollment students to choose Jackson Center.

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

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

Contacting the 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 questions about this report or need additional financial information contact Mr. Michael Watkins, Treasurer, Jackson Center Local School District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2005**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 378,361</u>
Total assets	<u>378,361</u>
Net Cash Assets:	
Restricted for:	
Capital projects	68,860
Debt service	26,421
Locally funded programs	1,441
State funded programs	11,409
Federally funded programs	11,650
Student activities	30,585
Other purposes	4,471
Unrestricted	<u>223,524</u>
Total net cash assets	<u><u>\$ 378,361</u></u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>			<u>Net (Cash</u> <u>Disbursements)</u> <u>Cash Receipts and</u> <u>Changes in Net</u> <u>Cash Assets</u>
		<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:					
Instruction:					
Regular	\$ 2,346,125	\$ 392,707	\$ 93,800	\$ 4,830	\$ (1,854,788)
Special	450,621		96,033		(354,588)
Vocational	61,077		1,168		(59,909)
Support services:					
Pupil	207,013		76,939		(130,074)
Instructional staff	163,716		4,557		(159,159)
Board of education	13,187		2,832		(10,355)
Administration	382,824		650		(382,174)
Fiscal	245,621		10,922		(234,699)
Operations and maintenance	512,125				(512,125)
Pupil transportation	195,097				(195,097)
Central	7,920		653		(7,267)
Operation of non-instructional services:					
Food service operations	198,754	132,870	32,326		(33,558)
Extracurricular activities	177,877	82,381	7,528		(87,968)
Facilities acquisition and construction	261,662		3,737		(257,925)
Debt service:					
Principal retirement	130,000		10,246		(119,754)
Interest and fiscal charges	206,915		16,301		(190,614)
Total governmental activities	<u>\$ 5,560,534</u>	<u>\$ 607,958</u>	<u>\$ 357,692</u>	<u>\$ 4,830</u>	<u>(4,590,054)</u>
 General Cash Receipts:					
Property taxes levied for:					
					1,775,146
					302,648
					52,026
Grants and entitlements not restricted					
					1,675,256
					17,510
					142,071
					<u>3,964,657</u>
					(625,397)
					<u>1,003,758</u>
					<u>\$ 378,361</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Cash Assets:				
Equity in pooled cash and cash equivalents	\$ 217,565	\$ 68,195	\$ 92,601	\$ 378,361
Total cash basis assets	\$ 217,565	\$ 68,195	\$ 92,601	\$ 378,361
Fund Cash Balances:				
Reserved for encumbrances	\$ 28,196	\$ 36,925	\$ 13,978	\$ 79,099
Reserved for debt service			26,421	26,421
Unreserved, undesignated, reported in:				
General fund	189,369			189,369
Special revenue funds			51,646	51,646
Debt service fund			556	556
Capital projects funds		31,270		31,270
Total fund cash balances	\$ 217,565	\$ 68,195	\$ 92,601	\$ 378,361

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
From local sources:				
Taxes	\$ 1,775,146	\$ 52,026	\$ 302,648	\$ 2,129,820
Tuition	376,646			376,646
Charges for services			132,870	132,870
Earnings on investments	17,510			17,510
Extracurricular	6,000		82,381	88,381
Classroom materials and fees	15,687			15,687
Other	136,445		8,938	145,383
Intergovernmental	1,675,256	4,475	349,109	2,028,840
Total cash receipts	<u>4,002,690</u>	<u>56,501</u>	<u>875,946</u>	<u>4,935,137</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,244,373		101,752	2,346,125
Special	349,349		101,272	450,621
Vocational	60,365		712	61,077
Support services:				
Pupil	130,074		76,939	207,013
Instructional staff	159,431		4,285	163,716
Board of education	5,174		8,013	13,187
Administration	382,175		649	382,824
Fiscal	226,116	1,052	18,453	245,621
Operations and maintenance	512,125			512,125
Pupil transportation	195,097			195,097
Central		7,920		7,920
Operation of non-instructional services:				
Food service operations			198,754	198,754
Extracurricular activities	87,703		90,174	177,877
Facilities acquisition and construction	25,651	45,182	190,829	261,662
Debt service:				
Principal retirement			130,000	130,000
Interest and fiscal charges			206,915	206,915
Total cash disbursements	<u>4,377,633</u>	<u>54,154</u>	<u>1,128,747</u>	<u>5,560,534</u>
Excess of cash receipts over (under) cash disbursements	(374,943)	2,347	(252,801)	(625,397)
Other financing sources (uses):				
Transfers in			49,200	49,200
Advances in	124,100		124,100	248,200
Transfers (out)	(49,200)			(49,200)
Advances (out)	(124,100)		(124,100)	(248,200)
Total other financing sources (uses)	<u>(49,200)</u>		<u>49,200</u>	
Net change in fund cash balances	(424,143)	2,347	(203,601)	(625,397)
Fund cash balances at beginning of year	641,708	65,848	296,202	1,003,758
Fund cash balances at end of year	<u>\$ 217,565</u>	<u>\$ 68,195</u>	<u>\$ 92,601</u>	<u>\$ 378,361</u>

See accompanying notes to the basis financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN
FUND CASH BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Cash Receipts:				
From local sources:				
Taxes	\$ 1,579,980	\$ 1,687,080	\$ 1,775,146	\$ 88,066
Tuition	335,236	350,638	376,646	26,008
Earnings on investments	15,394	8,137	17,510	9,373
Extracurricular			6,000	6,000
Classroom materials and fees	13,962	14,500	15,687	1,187
Other	117,641	120,000	132,172	12,172
Intergovernmental	1,491,072	1,717,388	1,675,256	(42,132)
Total cash receipts	<u>3,553,285</u>	<u>3,897,743</u>	<u>3,998,417</u>	<u>100,674</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,125,033	2,350,696	2,258,352	92,344
Special	328,726	325,911	349,349	(23,438)
Vocational	56,863	63,109	60,430	2,679
Support services:				
Pupil	123,111	164,357	130,835	33,522
Instructional staff	150,754	129,681	160,212	(30,531)
Board of education	6,220	9,909	6,610	3,299
Administration	361,619	385,619	384,306	1,313
Fiscal	213,603	216,502	227,004	(10,502)
Operations and maintenance	485,659	507,054	516,128	(9,074)
Pupil transportation	187,487	178,383	199,249	(20,866)
Extracurricular activities	82,526	85,746	87,703	(1,957)
Facilities acquisition and construction	24,137	30,800	25,651	5,149
Total cash disbursements	<u>4,145,738</u>	<u>4,447,767</u>	<u>4,405,829</u>	<u>41,938</u>
Excess of cash receipts (under) cash disbursements	(592,453)	(550,024)	(407,412)	142,612
Other financing sources (uses):				
Refund of prior year expenditure	3,803		4,273	4,273
Transfers (out)	(237,029)	(250,700)	(49,200)	201,500
Advances in	185,755	238,700	124,100	(114,600)
Advances (out)			(124,100)	(124,100)
Total other financing sources (uses)	<u>(47,471)</u>	<u>(12,000)</u>	<u>(44,927)</u>	<u>(32,927)</u>
Net change in fund cash balance	(639,924)	(562,024)	(452,339)	109,685
Fund cash balance at beginning of year	620,011	620,011	620,011	
Prior year encumbrances appropriated	21,697	21,697	21,697	
Fund cash balance at end of year	<u>\$ 1,784</u>	<u>\$ 79,684</u>	<u>\$ 189,369</u>	<u>\$ 109,685</u>

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2005

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 10,873
Total assets	<u>\$ 10,873</u>
Net cash assets:	
Held for students	\$ 10,873
Total net cash assets	<u>\$ 10,873</u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Jackson Center Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The School District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 25 non-certificated employees, 43 certificated full-time teaching personnel and 3 administrative employees to provide services to 551 students and other community members.

The School District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The School District is the 591st largest in the State of Ohio (among 613 school districts) in terms of enrollment.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' government 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; or (3) 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 (4) 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. Based upon the application of these criteria, the School District has no component units.

The School District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 12 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- West Central Ohio Special Education Regional Resource Center
- Shelby County Local Professional Development Committee

Insurance Purchasing Pools:

- Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Council Property, Fleet, and Liability Program

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As required by Ohio Administrative Code Section 117-2-03 (B) the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chooses to prepare (for audit purposes) its financial statements and notes in accordance with the cash basis of accounting.

A. Basis of Presentation

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

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

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

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. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The School District classifies each fund as either governmental or fiduciary.

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

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

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

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Cash and Investments

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

During fiscal year 2005, investments were limited to repurchase agreements; however, at June 30, 2005, the School District did not have any investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$17,510, which includes \$6,739 assigned from other funds.

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

F. Net Assets/Restricted Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. At June 30, 2005, the amount of net assets restricted by enabling legislation was \$94,616.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Unpaid Vacation and Sick Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

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

L. Fund Balance Reserves

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

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers.

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" and GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*".

GASB Statement No. 40 establishes and disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and disclosure requirements for custodial credit risk on deposits. The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the School District, however additional note disclosure can be found in Note 4.

GASB 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook account;

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits - At fiscal year-end, the carrying amount of the School District's deposits was \$389,234. Custodial credit risk for deposits is the risk that in the event of bank failure, the School District may not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$255,939 of the School District's bank balance of \$441,831 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the financial institution's trust department or agent, but not in the School District's name

The School District has no deposit policy for custodial credit 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 with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of public monies deposited in the financial institution whose market value at times shall be at least one hundred five percent of the deposits being secured.

The School District did not have investments at June 30, 2005.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (continued)

The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance - Budget and Actual (Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year-end encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (cash).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

	<u>Net Change in Fund Balance</u>	
Cash Basis		\$217,565
Adjustment for Encumbrances		(28,196)
Budget Basis		<u>\$189,369</u>

6. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$49,200

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

Advances were made between the General fund and the other governmental non major funds. All advances were repaid by year end.

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

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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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, 2005, 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 Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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

	2004 Second Half Collections		2005 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$39,249,140	70.04	\$41,367,380	71.43
Public utility personal	2,782,510	4.97	2,626,430	4.54
Tangible personal property	<u>14,003,290</u>	<u>24.99</u>	<u>13,918,247</u>	<u>24.03</u>
Total	<u>\$56,034,940</u>	<u>100.00</u>	<u>\$57,912,057</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$45.70		\$53.20	

During fiscal year 2005, the voters passed a 7.5 mill operating levy on behalf of the School District.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. LONG-TERM OBLIGATIONS

During the fiscal year 2005, the following changes occurred in the School District's long-term obligations:

	Balance Outstanding June 30, 2004	Additions	Reductions	Balance Outstanding June 30, 2005	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
School improvement bond:					
Serial bonds	\$1,155,000		(\$130,000)	\$1,025,000	\$130,000
Term bonds	3,340,000			3,340,000	
Capital appreciation bonds	40,000			40,000	
Accretion on capital bonds	34,677	\$16,868		51,545	
Total governmental activities	<u>\$4,569,677</u>	<u>\$16,868</u>	<u>(\$130,000)</u>	<u>\$4,456,545</u>	<u>\$130,000</u>

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, are as follows:

Year Ended	General Obligation Term/Serial Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$130,000	\$202,787	\$332,787			
2007	135,000	198,346	333,346			
2008	140,000	193,463	333,463			
2009	145,000	188,117	333,117			
2010	150,000	182,326	332,326			
2011 - 2015	325,000	842,849	1,167,849	\$40,000	\$470,000	\$510,000
2016 - 2020	945,000	717,822	1,662,822			
2021 - 2025	1,205,000	453,515	1,658,515			
2026 - 2029	1,190,000	122,750	1,312,750			
Total	<u>\$4,365,000</u>	<u>\$3,101,975</u>	<u>\$7,466,975</u>	<u>\$40,000</u>	<u>\$470,000</u>	<u>\$510,000</u>

Term Bonds

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. LONG-TERM OBLIGATIONS (Continued)

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

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

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

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

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

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2005 is \$91,545.

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District. The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$833,506 and an unvoted debt margin of \$57,912.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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. During fiscal year 2005, the School District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 12) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

Property Coverage	\$ 1,000,000
Excess Property Coverage	300,000,000
Boiler & Machinery	50,000,000
Crime and Employee Dishonesty	500,000
School Board Legal Liability	1,000,000
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

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

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

C. Medical, Dental and Life Insurance Benefits

For fiscal year 2005, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 12). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 \$62,745, \$56,507, and \$42,829, respectively; 42.5 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report 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.strs.oh.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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

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.

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

For the fiscal year ended June 30, 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 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$278,547, \$283,416, and \$262,080, respectively; 82.76 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 \$10,096 made by the School District and \$16,786 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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board members contribute to SERS.

11. POST-EMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$21,427 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

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 was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$28,904.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. 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 currently receiving health care benefits.

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public School Districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member School Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member School Districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2005, the School District paid \$25,764 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS (Continued)

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

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

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

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

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

The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS (Continued)

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

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

B. Insurance Purchasing Pools

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

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. CONTRACTUAL COMMITMENTS

The School District had the following contractual commitments outstanding as of June 30, 2005:

<u>Company</u>	<u>Contract Amount and Balance at 6-30-05</u>
Griffith Sheet Metal	<u>\$ 28,866</u>

14. SET-ASIDE REQUIREMENTS

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. The cash carried forward for budget stabilization, represents the Bureau of Workers' Compensation rebates received in previous years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2005.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance June 30, 2004	(\$8,968)	(\$4,768,806)	\$74
Current Year Set-aside Requirement	80,233	80,233	
Qualifying Disbursements	(78,074)		(74)
Set-aside Carried forward to July 1, 2005	<u>(\$6,809)</u>	<u>(\$4,688,573)</u>	<u>\$0</u>

The School District had qualifying disbursements that reduced the set-aside amounts for textbooks and capital acquisitions to below zero. These amounts may be used to reduce the set aside requirements of future years.

15. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 at June 30, 2005.

16. SUBSEQUENT EVENT

At the November 8, 2005 general election, the voters of the Jackson Center Local School District passed a renewal of a 5-year permanent improvement levy at 1.0 mil.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED**

The discussion and analysis of the Jackson Center Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004, within the limitations of the School District's cash basis of accounting. 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 cash basis 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 2004 are as follows:

- In total, net cash assets of governmental activities decreased \$2,333,596 which represents a 69.92 percent decrease from 2003. The decrease is mainly due to increase in payroll expenditures and payment for the high school addition project.
- General cash receipts accounted for \$3,833,130 or 81.56 percent of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$866,846 or 18.44 percent of total governmental activities cash receipts of \$4,699,976.
- The School District had \$7,033,572 in cash disbursements related to governmental activities; \$866,846 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$3,833,130 were not adequate to provide for these programs.
- The School District's major governmental funds are the general fund and the building fund. The general fund had \$3,814,745 in cash receipts and other financing sources and \$4,376,475 in cash disbursements and other financing uses. During fiscal year 2004, the general fund cash balance decreased \$561,730 from \$1,203,438 to \$641,708.
- The building fund had \$51,000 in other financing sources and \$1,724,692 in cash disbursements. During fiscal year 2004, the building fund cash balance decreased \$1,673,692 from \$1,846,521 to \$172,829.

Using these Basic Financial Statements

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

The Statement of Net Assets and the Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's cash basis finances and a longer-term view of those finances.

Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis - While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The School District's Statement of Net Assets – Cash Basis and Statement of Activities – Cash Basis can be found on pages 43-44 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements - The analysis of the School District's major governmental funds begins on page 40. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude 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 and building 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 year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Since the School District is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross revenues and expenses on the Fund Financial Statements to the Statement of Activities – Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities – Cash Basis. The governmental fund statements can be found on pages 45-47 of this report.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate Statement of Fiduciary Net Assets on page 48. This cash is excluded from the School District's other financial statements because the cash cannot be utilized by the School District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 49-67 of this report.

The School District as a Whole

The table below provides a summary of the School District's net cash assets for fiscal year 2004 compared to fiscal year 2003 on a cash basis:

	Net Cash Assets Governmental Activities 2004	Net Cash Assets Governmental Activities 2003
	<u>2004</u>	<u>2003</u>
Assets		
Equity in pooled cash and cash equivalents	\$996,230	\$3,328,073
Cash with fiscal agent	7,528	9,281
Total assets	<u>1,003,758</u>	<u>3,337,354</u>
Net Cash Assets		
Restricted	353,832	2,123,412
Unrestricted	<u>649,926</u>	<u>1,213,942</u>
Total net cash assets	<u><u>\$1,003,758</u></u>	<u><u>\$3,337,354</u></u>

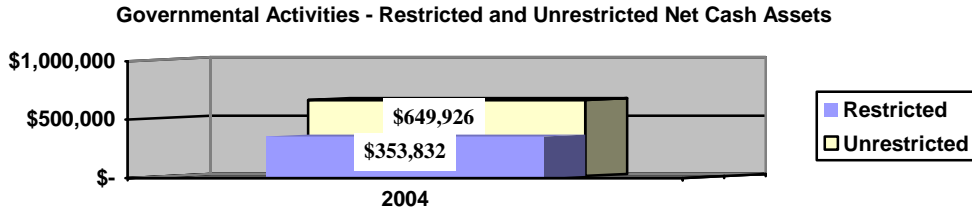
Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the School District's total net cash assets were \$1,003,758.

A portion of the School District's net cash assets, \$353,832 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$649,926 may be used to meet the government's ongoing obligations to students and creditors.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The graph below presents the School District's governmental activities restricted and unrestricted net assets for fiscal year 2004.



The table below shows the change in net cash assets for fiscal year 2004. Since this is the first year the School District has prepared government-wide financial statements using the cash basis of accounting, cash receipt and cash disbursement comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

	<u>Change in Net Cash Assets</u> <u>Governmental</u> <u>Activities</u> <u>2004</u>
Cash Receipts	
Program cash receipts:	
Charges for services and sales	\$562,598
Operating grants and contributions	304,248
General cash receipts:	
Property taxes	1,925,988
Grants and entitlements	1,780,268
Investment earnings	23,959
Other	<u>102,915</u>
Total cash receipts	4,699,976
Cash Disbursements	
Program expenses:	
Instruction:	
Regular	2,262,331
Special	423,025
Vocational	54,644
Support services:	
Pupil	254,714
Instructional staff	245,093
Board of education	14,341
Administration	397,566
Fiscal	252,211
Operations and maintenance	388,350
Pupil transportation	166,171
Food service operations	181,997
Extracurricular activities	165,885
Facilities acquisition and construction	1,829,095
Debt service:	
Principal retirement	185,000
Interest and fiscal charges	<u>213,149</u>
Total cash disbursements	<u>7,033,572</u>
Change in net cash assets	(2,333,596)
Net cash assets at beginning of year	<u>3,337,354</u>
Net cash assets at end of year	<u><u>\$1,003,758</u></u>

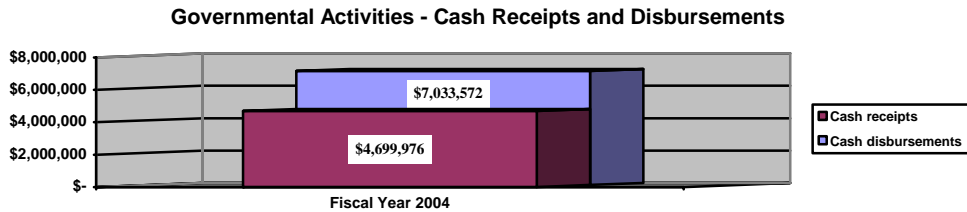
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Governmental Activities

Net cash assets of the School District's governmental activities decreased \$2,333,596. Total governmental cash disbursements of \$7,033,572 were offset by program cash receipts of \$866,846 and general cash receipts of \$3,833,130. Program cash receipts supported 12.32 percent of the total governmental cash disbursements. The primary sources of cash receipts for governmental activities are derived from property taxes, and grants and entitlements. These cash receipts sources represent 78.86 percent of total governmental cash receipts. The largest cash disbursement of the School District is for instructional programs. Instruction cash disbursements totaled \$2,740,000 or 38.96 percent of total governmental cash disbursements for fiscal 2004.

The graph below presents the School District's governmental activities cash receipts and cash disbursements for fiscal year 2004.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

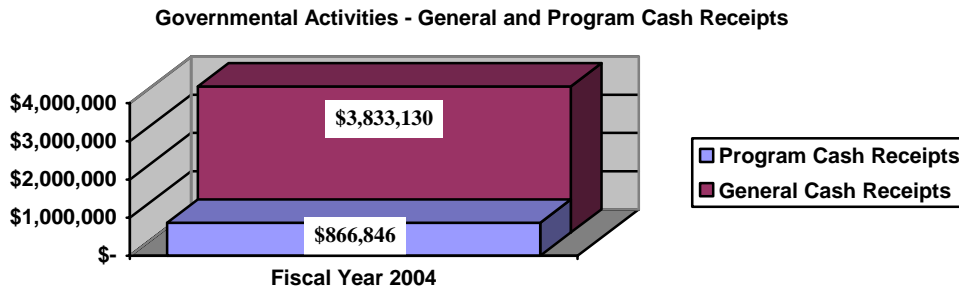
Governmental Activities	Total Cost of Services 2004	Net Cost of Services 2004
Program cash disbursements		
Instruction:		
Regular	\$2,262,331	\$1,803,832
Special	423,025	318,703
Vocational	54,644	54,644
Support services:		
Pupil	254,714	252,777
Instructional staff	245,093	219,106
Board of education	14,341	14,341
Administration	397,566	395,866
Fiscal	252,211	248,378
Operations and maintenance	388,350	386,877
Pupil transportation	166,171	166,171
Food service operations	181,997	26,530
Extracurricular activities	165,885	84,727
Facilities acquisition and construction	1,829,095	1,824,320
Debt service:		
Principal retirement	185,000	172,150
Interest and fiscal charges	213,149	198,304
Total cash disbursements	<u>\$7,033,572</u>	<u>\$6,166,726</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

The dependence upon tax and other general cash receipts for governmental activities is apparent, 79.46 percent of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 87.67 percent. The School District's taxpayers, as a whole, are by far the primary support for School District's students.

The graph below presents the School District's governmental activities cash receipts for fiscal year 2004.



The School District's Funds

The School District's governmental funds reported a combined fund cash balance of \$1,003,758, which is lower than last year's total of \$3,337,354. The June 30, 2003 fund cash balances have been restated as described in Note 3 to the basic financial statements.

The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2004 and 2003.

	Fund Cash Balance June 30, 2004	Restated Fund Cash Balance June 30, 2003	(Decrease)	Percentage Change
General	\$641,708	\$1,203,438	(\$561,730)	(46.68) %
Building	172,829	1,846,521	(1,673,692)	(90.64) %
Other Governmental	189,221	287,395	(98,174)	(34.16) %
Total	\$1,003,758	\$3,337,354	(\$2,333,596)	(69.92) %

General Fund - The School District's general fund cash balance decreased \$561,730 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3 to the basic financial statements). The decrease in fund cash balance can be attributed to several items related to decreasing cash receipts and increased cash disbursements. Cash disbursements exceed cash receipts for fiscal year 2004 by \$484,920.

On March 3, 2004, the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the cash financial activities of the general fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

	2004 Amount	2003 Amount Restated	Increase (Decrease)	Percentage Change
Cash Receipts				
Taxes	\$1,555,264	\$1,460,174	\$95,090	6.51 %
Tuition	339,909	437,015	(97,106)	(22.22) %
Earnings on investments	23,959	114,690	(90,731)	(79.11) %
Intergovernmental	1,780,268	1,619,295	160,973	9.94 %
Other revenues	114,955	122,050	(7,095)	(5.81) %
Total	3,814,355	3,753,224	61,131	1.63 %
Cash Disbursements				
Instruction	2,525,176	2,316,791	208,385	8.99 %
Support services	1,666,880	1,476,901	189,979	12.86 %
Extracurricular activities	89,932	74,039	15,893	21.47 %
Facilities acquisition and construction	17,287	118,670	(101,383)	(85.43) %
Total	\$4,299,275	\$3,986,401	\$312,874	7.85 %

Building Fund - The building fund had \$51,000 in other financing sources and \$1,724,692 in cash disbursements. During fiscal year 2004, the building fund cash balance decreased \$1,673,692 from \$1,846,521 to \$172,829.

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 2004, the School District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$3,587,500 and final budgeted revenues and other financing sources were \$3,958,500. Actual revenues and other financing sources for fiscal 2004 was \$3,814,745. This represents a \$143,755 decrease from final budgeted revenues. General fund original appropriations (appropriated expenditures including other financing uses) of \$4,365,459 were increased to \$4,467,421 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$4,398,172, which was \$69,249 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets - The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had facilities acquisition and construction disbursements of \$1,829,095 during fiscal year 2004.

Debt Administration - At June 30, 2004, the School District had \$4,535,000 in general obligation bonds. Of this total, \$130,000 is due within one year and \$4,405,000 is due within greater than one year. The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	2004	2003
General obligation bonds	<u>\$4,535,000</u>	<u>\$4,720,000</u>

At June 30, 2004, the School District's overall legal debt margin was \$548,014, and an unvoted debt margin of \$56,035. See Note 8 to the basic financial statements for additional information on the School District's debt administration.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)**

Current Financial Related Activities

The School District faces a number of challenges in the future. As the preceding information shows, the School District relies heavily on property taxes to fund operations. Since the impact of the reduced inventory valuations is not yet fully understood or the potential impact of the elimination of all personal property taxes the reliance on real property taxes and/or potential income taxes is increasingly important. While in theory a reduction in property value should result in increased basic aid the impact of the 23 mill charge off does not result in a dollar for dollar shift in funding sources.

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

Another equally challenging situation is the School District's declining enrollment. The decline in the School District's enrollment is two fold. First, the number of students actually living in the School District is declining. There is very little new housing in the School District and the overall age of the School District is increasing. Second, is the impact of Open Enrollment. The School District is currently in a period where those student open enrolling out of the School District is increasing and the number of students open enrolling into the School District is declining resulting in an overall decrease in enrollment. Should this trend continue an overall evaluation of staffing assignments will be necessary.

The School District is not anticipating a significant growth in State revenue. The rationale has two components. First, the uncertainty of the entire State of Ohio's budget due to the amount of one time monies used to balance the fiscal years 2003 and 2004 budget does not lead one to anticipate an increase in the Education budget in the new biannual state budget. Second, the School District has a significant industrial base in relationship to its size with a number of tax abatements in place. If the enrollment does not show growth in the future and as the abatements begin to expire the increased property valuation will reduce the state basic aid by the 23 mill charge-off amount.

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

Contacting the 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 questions about this report or need additional financial information contact Mr. Michael Watkins, Treasurer, Jackson Center Local School District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2004**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 996,230
Cash with fiscal agent	<u>7,528</u>
 Total assets	 <u>1,003,758</u>
 Net Cash Assets:	
Restricted for:	
Capital projects	242,225
Debt service	39,869
Locally funded programs	325
State funded programs	10,099
Federally funded programs	25,104
Student activities	32,075
Other purposes	4,135
Unrestricted	<u>649,926</u>
 Total net cash assets	 <u><u>\$ 1,003,758</u></u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net (Cash</u> <u>Disbursements)</u> <u>Cash Receipts and</u> <u>Changes in Cash</u> <u>Net Assets</u>
		<u>Charges for</u> <u>Services</u> <u>and Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 2,262,331	\$ 354,326	\$ 104,173	\$ (1,803,832)
Special	423,025		104,322	(318,703)
Vocational	54,644			(54,644)
Support services:				
Pupil	254,714		1,937	(252,777)
Instructional staff	245,093		25,987	(219,106)
Board of education	14,341			(14,341)
Administration	397,566		1,700	(395,866)
Fiscal	252,211		3,833	(248,378)
Operations and maintenance	388,350	1,473		(386,877)
Pupil transportation	166,171			(166,171)
Food service operations	181,997	125,641	29,826	(26,530)
Extracurricular activities	165,885	81,158		(84,727)
Facilities acquisition and construction .	1,829,095		4,775	(1,824,320)
Debt service:				
Principal retirement	185,000		12,850	(172,150)
Interest and fiscal charges	213,149		14,845	(198,304)
Total governmental activities	\$ 7,033,572	\$ 562,598	\$ 304,248	(6,166,726)

General Cash Receipts:

Property taxes levied for:

General purposes	1,555,264
Debt service	322,671
Capital projects	48,053

Grants and entitlements not restricted

to specific programs	1,780,268
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Investment earnings

	23,959
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Miscellaneous

	102,915
--	---------

Total general cash receipts

	3,833,130
--	-----------

Change in net cash assets

	(2,333,596)
--	-------------

Net cash assets at beginning of year (restated)

	3,337,354
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Net cash assets at end of year

	\$ 1,003,758
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See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	General	Building	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 641,634	\$ 172,829	\$ 181,693	\$ 996,156
Cash with fiscal agent			7,528	7,528
Restricted assets:				
Equity in pooled cash and cash equivalents	74			74
Total cash basis assets	\$ 641,708	\$ 172,829	\$ 189,221	\$ 1,003,758
Fund Cash Balances:				
Reserved for encumbrances	\$ 21,697	\$ 170,968	\$ 26,651	\$ 219,316
Reserved for budget stabilization	74			74
Reserved for debt service			39,869	39,869
Unreserved, undesignated, reported in:				
General fund	619,937			619,937
Special revenue funds			62,037	62,037
Capital projects funds		1,861	60,664	62,525
Total fund cash balances	\$ 641,708	\$ 172,829	\$ 189,221	\$ 1,003,758

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
From local sources:				
Taxes	\$ 1,555,264		\$ 370,724	\$ 1,925,988
Tuition	339,909			339,909
Charges for services			125,641	125,641
Earnings on investments	23,959			23,959
Extracurricular			81,158	81,158
Classroom materials and fees	14,417			14,417
Other	100,538		3,460	103,998
Intergovernmental	1,780,268		304,248	2,084,516
Total cash receipts	<u>3,814,355</u>		<u>885,231</u>	<u>4,699,586</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,156,730		105,601	2,262,331
Special	313,802		109,223	423,025
Vocational	54,644			54,644
Support services:				
Pupil transportation	252,938		1,776	254,714
Instructional staff	216,606		28,487	245,093
Board of education	13,162		1,179	14,341
Administration	395,231		2,335	397,566
Fiscal	234,422		17,789	252,211
Operations and maintenance	388,350			388,350
Pupil transportation	166,171			166,171
Operation of non-instructional services:				
Food service operations			181,997	181,997
Extracurricular activities	89,932		75,953	165,885
Facilities acquisition and construction	17,287	1,724,692	87,116	1,829,095
Debt service:				
Principal retirement			185,000	185,000
Interest and fiscal charges			213,149	213,149
Total cash disbursements	<u>4,299,275</u>	<u>1,724,692</u>	<u>1,009,605</u>	<u>7,033,572</u>
Excess of cash receipts (under) cash disbursements	(484,920)	(1,724,692)	(124,374)	(2,333,986)
Other financing sources (uses):				
Sale of assets	390			390
Transfers in		51,000	26,200	77,200
Transfers (out)	(77,200)			(77,200)
Total other financing sources (uses)	<u>(76,810)</u>	<u>51,000</u>	<u>26,200</u>	<u>390</u>
Net change in fund cash balances	(561,730)	(1,673,692)	(98,174)	(2,333,596)
Fund cash balances at beginning of year (restated)	1,203,438	1,846,521	287,395	3,337,354
Fund cash balances at end of year	<u>\$ 641,708</u>	<u>\$ 172,829</u>	<u>\$ 189,221</u>	<u>\$ 1,003,758</u>

See accompanying notes to the basis financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
From local sources:				
Taxes	\$ 1,462,869	\$ 1,632,204	\$ 1,555,264	\$ (76,940)
Tuition	319,716	391,165	339,909	(51,256)
Earnings on investments	21,916	24,000	23,959	(41)
Classroom materials and fees	13,561	15,500	14,417	(1,083)
Other	91,262	113,365	96,636	(16,729)
Intergovernmental	1,674,506	1,777,266	1,780,268	3,002
Total cash receipts	<u>3,583,830</u>	<u>3,953,500</u>	<u>3,810,453</u>	<u>(143,047)</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,154,406	2,134,725	2,167,589	(32,864)
Special	312,138	308,979	314,048	(5,069)
Vocational	54,704	57,850	55,039	2,811
Support services:				
Pupil	251,921	294,926	253,463	41,463
Instructional staff	216,741	228,025	218,067	9,958
Board of education	13,320	15,092	13,402	1,690
Administration	393,877	396,939	396,287	652
Fiscal	233,804	220,235	235,233	(14,998)
Operations and maintenance	391,793	431,748	394,190	37,558
Pupil transportation	165,423	185,009	166,435	18,574
Extracurricular activities	81,434	81,893	89,932	(8,039)
Facilities acquisition and construction	17,180	30,000	17,287	12,713
Total cash disbursements	<u>4,286,741</u>	<u>4,385,421</u>	<u>4,320,972</u>	<u>64,449</u>
Excess of cash receipts (under) cash disbursements	(702,911)	(431,921)	(510,519)	(78,598)
Other financing sources (uses):				
Refund of prior year expenditure	3,670	5,000	3,902	(1,098)
Sale of assets			390	390
Transfers (out)	(78,718)	(82,000)	(77,200)	4,800
Total other financing sources (uses)	<u>(75,048)</u>	<u>(77,000)</u>	<u>(72,908)</u>	<u>4,092</u>
Net change in fund cash balance	(777,959)	(508,921)	(583,427)	(74,506)
Fund cash balance at beginning of year	1,143,190	1,143,190	1,143,190	
Prior year encumbrances appropriated	60,248	60,248	60,248	
Fund cash balance at end of year	<u>\$ 425,479</u>	<u>\$ 694,517</u>	<u>\$ 620,011</u>	<u>\$ (74,506)</u>

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2004

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 11,453</u>
Total assets	<u><u>\$ 11,453</u></u>
Net cash assets:	
Held for students	<u>\$ 11,453</u>
Total net cash assets	<u><u>\$ 11,453</u></u>

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Jackson Center Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The School District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the School District's two instructional/support facilities staffed by 29 non-certificated employees, 46 certificated full-time teaching personnel and 3 administrative employees to provide services to 563 students and other community members.

The School District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The School District is the 591st largest in the State of Ohio (among 613 school districts) in terms of enrollment.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations' government 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; or (3) 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 (4) 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. Based upon the application of these criteria, the School District has no component units.

The School District participates in five jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Note 12 to the general purpose financial statements. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association
- West Central Ohio Special Education Regional Resource Center
- Shelby County Local Professional Development Committee

Insurance Purchasing Pools:

- Ohio Association of School Business Officials Workers' Compensation Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Council Property, Fleet, and Liability Program

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

As required by Ohio Administrative Code Section 117-2-03 (B) the School District prepared and filed its annual financial report in accordance with generally accepted accounting principles. However, the School District chooses to prepare (for audit purposes) its financial statements and notes in accordance with the cash basis of accounting.

A. Basis of Presentation

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

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

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

- 2. 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. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The School District classifies each fund as either governmental or fiduciary.

- 1. Governmental Funds:** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Building Fund - The building fund is used to account for the cash receipts and disbursements related to the School District's bond issue. Disbursements recorded here represent the costs of acquiring and improving capital facilities, including real property.

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

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements. During fiscal year 2004, investments were limited to repurchase agreements which are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$23,959, which includes \$13,787 assigned from other funds.

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

An analysis of the School District's investment account at year-end is provided in Note 4.

F. Net Assets/Restricted Assets

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Unpaid Vacation and Sick Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

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

L. Fund Balance Reserves

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

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

During 2004, the School District changed from the accrual basis of accounting to the cash basis of accounting (see Note 2.C). The School District has also elected to present the cash basis financial statements in a GASB 34 like format. The fund balances for June 30, 2003 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.

For reporting in accordance with GASB 34-like statements, the School District is required to present government-wide financial statements. These statements consolidate all governmental activities in a single column. Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34.

The transition from the accrual basis of accounting to the cash basis of accounting had the following effect on fund balances at June 30, 2003:

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental</u>	<u>Proprietary</u>	<u>Total</u>
Fund Balance at June 30, 2003	\$917,520	\$1,439,455	\$305,285	\$8,365	\$2,670,625
Change in Reporting Basis:					
Accrual Adjustments	285,918	407,066	(25,185)	(1,070)	666,729
Fund Reclassification:			7,295	(7,295)	
Restated Fund Cash Balance at June 30, 2003	<u>\$1,203,438</u>	<u>\$1,846,521</u>	<u>\$287,395</u>	<u>\$0</u>	<u>\$3,337,354</u>
GASB 34 Adjustments:					
Governmental Activities					
Net Cash Assets at June 30, 2003					<u>\$3,337,354</u>

The governmental activities net cash assets at June 30, 2003 equal the restated fund cash balances at June 30, 2003 since there are no adjustments required to convert the fund financial statements to the government-wide financial statements.

4. DEPOSITS AND INVESTMENTS

State statutes require the classification of monies held by the School District into three categories.

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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 accounts, including passbook accounts.

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "*Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*".

At June 30, 2004, the School District had \$7,528 in cash reported in the special revenue funds that is held by the Shelby County Educational Service Center, which is the fiscal agent for several School Districts. Since the monies are commingled, they cannot be classified by risk individually under GASB Statement No. 3. The risk classifications for the Shelby County Educational Service Center as a whole can be obtained by writing to Cathy Doseck, who serves as Treasurer, at 129 East Court Street, Sidney, Ohio 45365.

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$922,609 and the bank balance was \$1,162,710. Of the bank balance, \$200,000 was covered by federal depository insurance and \$962,710 was uninsured and uncollateralized.

Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State 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 Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District had a repurchase agreement at fiscal year-end, which is a Category 3 investment, with a carrying and fair value of \$85,074.

5. BUDGETARY BASIS OF ACCOUNTING

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

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

	<u>Net Change in Fund Balance</u>	
Cash Basis		\$641,708
Adjustment for Encumbrances		<u>(21,697)</u>
Budget Basis		<u>\$620,011</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$26,200
Transfers to Building Fund from:	
General Fund	51,000

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

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

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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. PROPERTY TAXES (Continued)

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

The School District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$38,554,010	68.13	\$39,249,140	70.04
Public utility personal	2,928,850	5.18	2,782,510	4.97
Tangible personal property	15,102,592	26.69	14,003,290	24.99
Total	\$56,585,452	100.00	\$56,034,940	100.00
Tax rate per \$1,000 of assessed valuation	\$46.60		\$45.70	

8. LONG-TERM OBLIGATIONS

Due to the change in accounting principle described in Note 3, the School District's long-term obligations will present only bonded debt obligations. During the fiscal year 2004, the following changes occurred in the School District's long-term obligations:

	Balance Outstanding July 1, 2003			Balance Outstanding June 30, 2004		Amounts Due in One Year
	Balance	Additions	Reductions	Balance	Amounts	Due in
Governmental Activities:						
School improvement bond 1980	\$60,000		(\$60,000)			
School improvement bond 2001						
Serial Bonds	1,280,000		(125,000)	\$1,155,000		\$130,000
Term bonds	3,340,000			3,340,000		
Capital appreciation bonds	40,000			40,000		
Accretion on capital bonds	20,918	\$13,759		34,677		
Total long-term obligations, governmental activities	\$4,740,918	\$13,759	(\$185,000)	\$4,569,677		\$130,000

Jackson Center Local School Improvement Bonds (1980) - During 1980, the School District issued \$1,272,000 in voted general obligation bonds for the purpose of constructing improvements and additions to existing school buildings and providing furnishings, equipment, and site development. The bonds were issued for a twenty-three year period with final maturity at December 1, 2003. The bonds were retired from the Debt Service fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. LONG-TERM OBLIGATIONS - (Continued)

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004, are as follows:

<u>Year Ending June 30</u>	<u>General Obligation Term/Serial Bonds</u>	<u>General Obligation Capital Appreciation Bonds</u>	<u>Total</u>
2005	\$336,915		\$336,915
2006	332,787		332,787
2007	333,346		333,346
2008	333,463		333,463
2009	333,117		333,117
2010 - 2014	1,334,340	\$340,000	1,674,340
2015 - 2019	1,499,105	170,000	1,669,105
2020 - 2024	1,656,942		1,656,942
2025 - 2029	1,643,875		1,643,875
Total Obligation	7,803,890	510,000	8,313,890
Less: Interest	(3,308,890)	(470,000)	(3,778,890)
Total	<u>\$4,495,000</u>	<u>\$40,000</u>	<u>\$4,535,000</u>

Term Bonds

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

8. LONG-TERM OBLIGATIONS - (Continued)

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

Serial Bonds

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

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

The capital appreciation bonds will bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bond. The accreted value of the capital appreciation bonds at June 30, 2004 is \$74,677.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9 percent of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the School District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$548,014 and an unvoted debt margin of \$56,035.

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. During fiscal year 2004, the School District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 12) for general liability, property, and fleet insurance.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

9. RISK MANAGEMENT (Continued)

Insurance coverage provided includes the following:

Property Coverage	\$ 1,000,000
Excess Property Coverage	200,000,000
Boiler & Machinery	50,000,000
Crime and Employee Dishonesty	500,000
School Board Legal Liability	1,000,000
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

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

B. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

C. Medical, Dental and Life Insurance Benefits

For fiscal year 2004, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 12). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. 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, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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, 2004, 2003, and 2002 were \$56,507, \$42,829, and \$26,945, respectively; 49 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report 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.strs.oh.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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, 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 percent for members and 14 percent for employers.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$283,416, \$262,080, and \$177,612, respectively; 84 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$6,301 made by the School District and \$12,842 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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining Board member contributes to SERS.

11. POST-EMPLOYMENT 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-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$21,801 for fiscal year 2004. STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, 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 years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$39,641.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. WOCO is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent. Payments to WOCO are made from the General Fund. During fiscal year 2004, the School District paid \$30,367 to WOCO. Financial information can be obtained from Louis Ivey, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS (Continued)

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

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

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

West Central Ohio Special Education Regional Resource Center (SERRC) - The SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the superintendents of the 50 participating districts and a non-public school, and a representative from Wright State University, whose terms rotates every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

Shelby County Local Professional Development Committee (Committee) - The School District is a participant in the Committee which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County. The Committee is governed by a twelve member board comprised of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS/INSURANCE PURCHASING POOLS (Continued)

B. Insurance Purchasing Pools

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

Shelby County Schools Consortium - The Shelby County Consortium is an insurance purchasing pool among several local School Districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. Each School District pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating School District and the service center. The degree of control exercised by any participating School District is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

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

13. SIGNIFICANT CONTRACTUAL COMMITMENTS

The School District is currently involved in a building project which had outstanding contractual commitments remaining at fiscal year-end as follows:

<u>Company</u>	<u>Contract Amount and Balance at 6-30-04</u>
Baumer Construction	\$132,086
Noll-Fisher	8,050
Central Fire Protection	5,397
Griffith Sheet Metal	39,013
Koester Electric Inc.	26,144
Farnham Equipment Co.	29,324
Tuttle Construction	700
	<u>\$240,714</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

14. SET-ASIDE REQUIREMENTS

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. The cash carried forward for budget stabilization, represents the Bureau of Workers' Compensation rebates received in previous years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2004.

	<u>Textbook</u>	<u>Capital Acquisiton</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance June 30, 2003	(\$19,467)	(\$4,771,032)	\$377
Curent Year Set-aside Requirement	82,126	82,126	
Current Year Offsets		(48,053)	
Qualifying Disbursements	(71,627)	(31,847)	(303)
Set-aside Carried forward to July 1, 2004	<u>(\$8,968)</u>	<u>(\$4,768,806)</u>	<u>\$74</u>

The total reserve balance for set asides at the end of the fiscal year was \$74. The School District had qualifying disbursements that reduced the set-aside amounts for textbooks and capital acquisitions to below zero. These amounts may be used to reduce the set aside requirements of future years.

15. CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, 2004.

16. SUBSEQUENT EVENTS

At the November 5, 2004 general election, the voters of the Jackson Center Local School District passed a 5 year limited operating levy for 7.5 mills.

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Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, (the School District), as of and for the years ended June 30, 2005 and June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 28, 2006, wherein, we noted the School District used a comprehensive basis of accounting other than generally accepted accounting principles for reporting. In addition, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 28, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the School District's management dated March 28, 2006, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

We intend this report solely for the information and use of management and the Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

March 28, 2006

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

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

FINDING NUMBER 2005-001

Finding for Recovery – Repaid Under Audit

The School District's Board approved classified employee salary schedule for the 2003-2004 school year presents the compensation of an assistant to the treasurer with various steps for years of experience. Kimberly Metz, an assistant to the treasurer, with 9 years of experience in the 2003-2004 school year, was entitled to receive \$11.91 per hour; but due to an error in salary calculation, was compensated as having 11 years of experience, and received \$12.61 per hour. Ms. Metz worked a total of 1,608 hours during the fiscal 2003-2004 school year as an assistant to the treasurer, thus resulting in a salary overpayment of \$1,125.60.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for a salary overpayment is hereby issued against Kimberly Metz, assistant to the treasurer; in the amount of One Thousand One Hundred Twenty Five Dollars and sixty cents (\$1,125.60) in favor of the Jackson Center Local School District General Fund.

Ms. Metz has agreed to repayment pursuant to a signed memorandum dated March 8, 2006, with Treasurer Michael T. Watkins, that an adjustment in the amount of \$1,125.60 will be deducted from her fiscal year 2006-2007 salary.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Rev. Code Section 117.28, Salary Overpayment	Yes, repaid during fiscal year 2004	



**Auditor of State
Betty Montgomery**

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 17, 2006**