



Mary Taylor, CPA
Auditor of State

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2006, 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 Section 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 modified-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 modified cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position thereof and the respective budgetary comparisons for the General and Special Trust Funds, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007, 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.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

The discussion and analysis of the Jackson City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. 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 financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2006 are as follows:

- Net assets of governmental activities decreased \$7,088,247.
- General revenues accounted for \$31,696,636 in revenue or 82.9 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,534,605 or 17.1 percent of total revenues of \$38,231,241.
- The School District has six major funds, the General Fund, the Special Trust Special Revenue Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds, and the Jones Trust Permanent Fund. The General Fund had \$19,406,488 in revenues and \$19,154,699 in expenditures. The General Fund's balance decreased \$31,977. The Special Trust Special Revenue Fund had \$408,749 in revenues and \$59,001 in expenditures. The Special Trust Special Revenue Fund's balance increased \$298,118. The Bond Retirement Debt Service Fund had \$1,232,968 in revenues and \$12,612,743 in expenditures. The Bond Retirement Debt Service Fund's balance increased \$175,709. The Permanent Improvements Capital Projects Fund had \$1,069,989 in revenues and \$511,180 in expenditures. The Permanent Improvements Capital Project Fund's balance decreased \$7,128,474. The Classroom Facilities Capital Projects Fund had \$19,661 in revenues and \$9,219,270 in expenditures. The Classroom Facilities Capital Project Fund's balance decreased \$982,379. The Jones Trust Permanent Fund had \$147,420 in revenues and \$0 in expenditures. The Jones Trust Permanent Fund's balance increased \$147,420.
- At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$11,932,714, a decrease of \$7,088,247 from the prior year.

USING THIS ANNUAL FINANCIAL REPORT

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

This discussion and analysis is intended to serve as an introduction to Jackson City School District's modified cash financial statements. The School District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets – Modified Cash Basis* presents information on all of the School District's modified cash assets, presented as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the cash position of School District is improving or deteriorating.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

The *Statement of Activities – Modified Cash Basis* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of School District that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the School District include general operations, food service, preschool, vocational, and student related activities.

In the statement of net assets and the statement of activities, the School District is divided into two types of activities:

Governmental Activities – Most of the School District's basic services are reported here, including athletics and music. State and federal grants, state foundation receipts, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

Component Units – The School District's financial statements include financial data of the Center for Student Achievement. This component unit is described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds Most of the School District's activities are reported in governmental funds. The government fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a total in a single column. The School District's major funds are the General Fund, the Special Trust Special Revenue Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Project Funds, and the Jones Trust Permanent Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District has a private purpose trust fund and an agency fund.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets – modified cash basis may serve over time as a useful indicator of a government's financial position. The School District has chosen to report on an other comprehensive basis of accounting in a format similar to that required by Governmental Accounting Standard No. 34.

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

Table 1 provides a summary of the School District's net assets – modified cash basis for 2006 compared to 2005:

**Table 1
Net Assets - Modified Cash Basis**

	Governmental Activities	
	2006	2005
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,932,714	\$18,375,929
<i>Total Assets</i>	<u>11,932,714</u>	<u>18,375,929</u>
Net Assets		
Restricted for:		
Endowments:		
Expendable	2,371,771	1,750,211
Non-Expendable	100,000	100,000
Other Purposes	2,808,484	2,233,374
Capital Projects	3,757,918	11,838,435
Debt Service	677,581	501,872
Unrestricted	<u>2,216,960</u>	<u>2,248,937</u>
<i>Total Net Assets</i>	<u>\$11,932,714</u>	<u>\$18,672,829</u>

As noted previously, net assets of governmental activities decreased \$7,088,247, which represents a 36.1% decrease from 2005. The primary reason for this decrease was the School District's continuing Classroom Facilities Improvement Project. Total capital expenditures related to the construction project in fiscal year 2006 totaled \$7,991,207, while receipts for the State's portion of the project only amounted to \$16,508.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2006. Since the School District did not prepare financial statements in this format for 2005, a comparative analysis of government-wide data has not been presented. In future fiscal years, when prior fiscal year information is available, a comparative analysis will be presented.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2
Changes in Net Assets

	Governmental Activities
	2006
Receipts	
Program Cash Receipts:	
Charges for Services	\$1,512,510
Operating Grants, Contributions and Interest	3,972,321
Capital Grants, Contributions and Interest	1,049,774
<i>Total Program Cash Receipts</i>	<u>6,534,605</u>
General Receipts:	
Property Taxes	6,653,552
Grants and Entitlements	13,019,957
Investment Earnings	71,618
Miscellaneous	1,710
Proceeds of Refunding Bonds	10,445,000
Premium on Refunding Bonds	1,044,509
Proceeds from the Sale of Capital Assets	460,290
<i>Total General Receipts</i>	<u>31,696,636</u>
<i>Total Receipts</i>	<u>38,231,241</u>
Program Disbursements	
Instruction:	
Regular	10,443,752
Special	2,586,818
Vocational	127,058
Support Services:	
Pupils	635,745
Instructional Staff	656,848
Board of Education	174,934
Administration	1,661,261
Fiscal	679,317
Business	73,352
Operation and Maintenance of Plant	2,985,209
Pupil Transportation	1,328,206
Central	22,366
Operation of Non-Instructional Services:	
Food Service Operations	1,008,838
Community Services	12,564
Extracurricular Activities	742,597
Capital Outlay	9,200,281
Debt Service:	
Principal Payment	865,000
Payment to Bondholders	11,312,028
Interest and Fiscal Charges	628,626
Issuance Costs	174,688
<i>Total Disbursements</i>	<u>45,319,488</u>
Decrease in Net Assets	(7,088,247)
Net Assets at Beginning of Year	<u>19,020,961</u>
Net Assets at End of Year	<u>\$11,932,714</u>

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

Governmental Activities

Program receipts, charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program, accounted for 16.8 percent of total receipts for governmental activities in fiscal year 2006. Therefore, the programs offered by the School District are primarily financed through general receipts. General revenues are primarily composed of property taxes, grants and entitlements not restricted for a particular program, and receipts from advanced refunding of the School District's classroom facilities general obligation bonds.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up 17.5 percent of revenues for governmental activities for Jackson City School District in 2006.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 51.5 percent of total general revenue. Grants and entitlements, alone, represent 34.2 percent of general revenues. Interest income, miscellaneous revenues, debt proceeds, and proceeds from the sale of capital assets account for the remaining 48.5 percent.

Though net assets of the School District experienced a sizable decrease in fiscal year 2006 that was due to capital expenditures related to the classroom facilities construction project, the economic pressures placed upon the School District due to ever changing academic requirements should not be underestimated. Instructional services of \$13,157,628, and support services of \$8,217,238, accounted for 47.2% of total disbursements. The remaining 52.8% of program disbursements are for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, and debt service.

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

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 3
Governmental Activities

	2006 Total Cost of Services	2006 Net Cost of Services
Program Expenses		
Instruction:		
Regular	\$10,443,752	\$8,637,215
Special	2,586,818	494,080
Vocational	127,058	123,113
Support Services:		
Pupil	635,745	618,058
Instructional Staff	656,848	632,551
Board of Education	174,934	174,934
Administration	1,661,261	1,505,097
Fiscal	679,317	549,859
Business	73,352	73,352
Operation and Maintenance of Plant	2,985,209	2,606,756
Pupil Transportation	1,328,206	1,299,927
Central	22,366	22,366
Operation of Non-Instructional Services:		
Food Service Operations	1,008,838	(72,402)
Community Services	12,564	548
Extracurricular Activities	742,597	(3,453)
Capital Outlay	9,200,281	9,142,540
Debt Service:		
Principal Payment	865,000	865,000
Payment to Bondholders	11,312,028	11,312,028
Interest and Fiscal Charges	628,626	628,626
Issuance Costs	174,688	174,688
Totals	<u>\$45,319,488</u>	<u>\$38,784,883</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. 83.2 percent of all instructional activities are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$26,281,442 and disbursements of \$45,319,488.

General Fund and Major Special Revenue 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 2006, the School District amended its General Fund and Special Trust Fund budgets, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

For the General Fund, final budget basis revenue was \$19,405,579, which was the same as original budget basis revenue estimates. Final budget basis expenditures of \$19,310,136 were lower than original budget basis expenditures of \$19,870,990. This difference was due to overly conservative original appropriations.

The School District's ending unobligated general fund balance was \$2,067,494.

For the Special Trust Special Revenue Fund, final budget basis revenue was \$403,592, which was the same as original budget basis revenue estimates. Final budget basis expenditures of \$61,030 were lower than original budget basis expenditures of \$593,451. This difference was due to overly conservative original appropriations.

The School District's ending unobligated Special Trust Special Revenue Fund balance was \$1,294,842.

DEBT ADMINISTRATION

At June 30, 2006, the School District had Classroom Facilities Assistance Bonds outstanding of \$13,214,576, a Classroom Facility Tax Anticipation Note in the amount of \$2,225,000, and a Lease-Purchase Agreement for the School District's Alumni Stadium in the amount of \$2,560,000.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2006	2005
2001 Classroom Facilities Assistance Bonds:		
Serial	\$2,110,000	\$6,105,000
Term	0	6,700,000
Capital Appreciation	174,058	174,058
Accretion on Capital Appreciation	273,337	196,362
2005 Classroom Facilities Refunding Bonds:		
Serial	7,555,000	0
Term	2,475,000	0
Capital Appreciation	415,000	0
Accretion on Capital Appreciation	42,419	0
Bond Amortization of Premium	999,093	0
Deferred Amount on Refunding	(829,331)	0
2001 Classroom Facilities Tax Anticipation Note	2,225,000	2,520,000
2004 Alumni Stadium Lease - Purchase	2,560,000	2,880,000
Totals	<u>\$17,999,576</u>	<u>\$18,575,420</u>

On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds, with a premium of \$1,044,509, to partially retire \$12,979,058 of outstanding Classroom Facilities General Obligation Bonds. \$11,312,028 was paid to bondholders on December 1, 2005, to partially retire the 2001 bonds. The School District decreased its total debt service payments by \$401,708 as a result of the current refunding. In addition, the School District had classroom facilities tax anticipation notes and a lease-purchase agreement outstanding in the amounts of \$2,225,000 and \$2,560,000, respectively.

For additional information on debt, see Note 12 to the basic financial statements.

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited*

CURRENT ISSUES

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

Externally, the School District is largely dependent on State funding sources (nearly 83 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, recent property tax revaluations has reduced the School District's funding from the State Foundation charge off supplement and has served to somewhat offset the other increases in State funding.

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

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

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 any questions about this report or need additional financial information, contact Ernie Strawser, Treasurer at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

Jackson City School District, Ohio
Statement of Net Assets - Modified Cash Basis
June 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Center for Student Achievement
Assets		
Equity in Pooled Cash and Cash Equivalents	\$11,932,714	\$72,092
<i>Total Assets</i>	<u>11,932,714</u>	<u>72,092</u>
Net Assets		
Restricted for:		
Endowments		
Expendable	\$2,371,771	\$0
Non-Expendable	100,000	0
Other Purposes	2,808,484	0
Capital Projects	3,757,918	0
Debt Service	677,581	0
Unrestricted	<u>2,216,960</u>	<u>72,092</u>
<i>Total Net Assets</i>	<u>\$11,932,714</u>	<u>\$72,092</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June, 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Component Unit	
	Expenses	Charges for Services	Operating Grants, Contributions and Interest			Capital Grants and Contributions
Governmental Activities:						
Instruction:						
Regular	\$10,443,752	\$648,872	\$1,056,271	\$101,394	(\$8,637,215)	\$0
Special	2,586,818	41,373	2,051,365	0	(494,080)	0
Vocational	127,058	0	3,945	0	(123,113)	0
Support Services:						
Pupils	635,745	0	17,687	0	(618,058)	0
Instructional Staff	656,848	0	24,297	0	(632,551)	0
Board of Education	174,934	0	0	0	(174,934)	0
Administration	1,661,261	3,096	153,068	0	(1,505,097)	0
Fiscal	679,317	0	105,689	23,769	(549,859)	0
Business	73,352	0	0	0	(73,352)	0
Operation and Maintenance of Plant	2,985,209	75	0	378,378	(2,606,756)	0
Pupil Transportation	1,328,206	0	12,409	15,870	(1,299,927)	0
Central	22,366	0	0	0	(22,366)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,008,838	546,425	534,815	0	72,402	0
Community Services	12,564	3,053	8,963	0	(548)	0
Extracurricular Activities	742,597	269,616	3,812	472,622	3,453	0
Capital Outlay	9,200,281	0	0	57,741	(9,142,540)	0
Debt Service:						
Principal Payment	865,000	0	0	0	(865,000)	0
Payment to Bondholders	11,312,028	0	0	0	(11,312,028)	0
Interest and Fiscal Charges	628,626	0	0	0	(628,626)	0
Issuance Costs	174,688	0	0	0	(174,688)	0
Total Governmental Activities	45,319,488	1,512,510	3,972,321	1,049,774	(38,784,883)	0
Component Unit:						
Center for Student Achievement	\$152,303	\$0	\$224,395	\$0	0	72,092
General Revenues:						
Property Taxes Levied for:						
General Purposes					4,867,027	0
Debt Service					1,127,279	0
Capital Improvements					527,868	0
Other Purposes					131,378	0
Grants and Entitlements not Restricted to Specific Programs					13,019,957	0
Investment Earnings					71,618	0
Miscellaneous					1,710	0
Proceeds of Refunding Bonds					10,445,000	0
Premium on Refunding Bonds					1,044,509	0
Proceeds from Sale of Capital Assets					460,290	0
Total General Revenues					31,696,636	0
Change in Net Assets					(7,088,247)	72,092
Net Assets at Beginning of Year - Restated (See Note 3)					19,020,961	0
Net Assets at End of Year					\$11,932,714	\$72,092

See accompanying notes to the basic financial statements

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Jackson City School District, Ohio
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2006

	General	Special Trust	Bond Retirement	Permanent Improvements
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,216,960</u>	<u>\$1,296,872</u>	<u>\$677,581</u>	<u>\$3,727,582</u>
 Fund Balances				
Reserved for Encumbrances	149,463	2,030	0	172,588
Unreserved, Undesignated, Reported in:				
General Fund	2,067,497	0	0	0
Special Revenue Funds	0	1,294,842	0	0
Debt Service Fund	0	0	677,581	0
Capital Projects Funds	0	0	0	3,554,994
Permanent Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <i>Total Liabilities and Fund Balances</i>	 <u><u>\$2,216,960</u></u>	 <u><u>\$1,296,872</u></u>	 <u><u>\$677,581</u></u>	 <u><u>\$3,727,582</u></u>

See accompanying notes to the basic financial statements

Jones Trust	Other Governmental Funds	Total Governmental Funds
<u>\$1,865,730</u>	<u>\$2,147,989</u>	<u>\$11,932,714</u>
0	6,502,519	6,826,600
0	0	2,067,497
0	1,478,089	2,772,931
0	0	677,581
0	(6,438,660)	(2,883,666)
<u>1,865,730</u>	<u>606,041</u>	<u>2,471,771</u>
<u>\$1,865,730</u>	<u>\$2,147,989</u>	<u>\$11,932,714</u>

Jackson City School District, Ohio
*Statement of Modified Cash Receipts, Cash Disbursements and
 Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2006*

	General	Special Trust	Bond Retirement	Permanent Improvements
Revenues				
Property Taxes	\$4,867,027	\$0	\$1,127,279	\$527,868
Intergovernmental	13,797,357	0	105,689	59,906
Investment Earnings	71,618	0	0	482,215
Tuition and Fees	659,551	898	0	0
Rent	3,096	3,500	0	0
Charges for Services	0	0	0	0
Donations	0	56,795	0	0
Extracurricular	2,806	347,556	0	0
Miscellaneous	5,033	0	0	0
<i>Total Revenues</i>	<u>19,406,488</u>	<u>408,749</u>	<u>1,232,968</u>	<u>1,069,989</u>
Expenditures				
Current:				
Instruction:				
Regular	9,446,489	30,367	0	95,608
Special	1,242,391	0	0	0
Vocational	127,058	0	0	0
Support Services:				
Pupils	618,058	0	0	0
Instructional Staff	639,210	0	0	0
Board of Education	174,934	0	0	0
Administration	1,488,161	15,546	0	0
Fiscal	619,261	0	35,612	22,412
Business	63,729	0	0	0
Operation and Maintenance of Plant	2,569,060	0	0	356,674
Pupil Transportation	1,328,206	0	0	0
Central	22,366	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	0
Community Services	0	9,232	0	0
Extracurricular Activities	412,565	3,856	0	0
Capital Outlay	0	0	0	36,486
Debt Service:				
Principal Retirement	295,000	0	570,000	0
Payment to Bondholders	0	0	11,312,028	0
Interest and Fiscal Charges	108,211	0	520,415	0
Issuance Costs	0	0	174,688	0
<i>Total Expenditures</i>	<u>19,154,699</u>	<u>59,001</u>	<u>12,612,743</u>	<u>511,180</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>251,789</u>	<u>349,748</u>	<u>(11,379,775)</u>	<u>558,809</u>
Other Financing Sources (Uses)				
Proceeds on Refunding Bonds	0	0	10,445,000	0
Premium on Refunding Bonds	0	0	1,044,509	0
Proceeds of Sale from Capital Asset	40,290	0	0	420,000
Transfers In	15,636	64	0	0
Advances In	717,961	0	783,936	0
Transfers Out	(203)	(51,694)	0	(8,107,283)
Advances Out	(1,057,450)	0	(717,961)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(283,766)</u>	<u>(51,630)</u>	<u>11,555,484</u>	<u>(7,687,283)</u>
<i>Net Change in Fund Balance</i>	<u>(31,977)</u>	<u>298,118</u>	<u>175,709</u>	<u>(7,128,474)</u>
<i>Fund Balances at Beginning of Year - Restated (See Note 3)</i>	<u>2,248,937</u>	<u>998,754</u>	<u>501,872</u>	<u>10,856,056</u>
<i>Fund Balances at End of Year</i>	<u>\$2,216,960</u>	<u>\$1,296,872</u>	<u>\$677,581</u>	<u>\$3,727,582</u>

See accompanying notes to the basic financial statements

Classroom Facilities	Jones Trust	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$131,378	\$6,653,552
16,508	0	2,894,859	16,874,319
2,653	147,420	18,700	722,606
0	0	26,288	686,737
0	0	0	6,596
0	0	546,425	546,425
0	0	651	57,446
0	0	377,866	728,228
500	0	0	5,533
<u>19,661</u>	<u>147,420</u>	<u>3,996,167</u>	<u>26,281,442</u>
0	0	871,288	10,443,752
0	0	1,344,427	2,586,818
0	0	0	127,058
0	0	17,687	635,745
0	0	17,638	656,848
0	0	0	174,934
0	0	157,554	1,661,261
0	0	2,032	679,317
0	0	9,623	73,352
55,475	0	4,000	2,985,209
0	0	0	1,328,206
0	0	0	22,366
0	0	1,008,838	1,008,838
0	0	3,332	12,564
0	0	326,176	742,597
9,163,795	0	0	9,200,281
0	0	0	865,000
0	0	0	11,312,028
0	0	0	628,626
0	0	0	174,688
<u>9,219,270</u>	<u>0</u>	<u>3,762,595</u>	<u>45,319,488</u>
<u>(9,199,609)</u>	<u>147,420</u>	<u>233,572</u>	<u>(19,038,046)</u>
0	0	0	10,445,000
0	0	0	1,044,509
0	0	0	460,290
7,947,661	0	211,455	8,174,816
269,569	0	3,945	1,775,411
0	0	(15,636)	(8,174,816)
0	0	0	(1,775,411)
<u>8,217,230</u>	<u>0</u>	<u>199,764</u>	<u>11,949,799</u>
<u>(982,379)</u>	<u>147,420</u>	<u>433,336</u>	<u>(7,088,247)</u>
<u>982,379</u>	<u>1,718,310</u>	<u>1,714,653</u>	<u>19,020,961</u>
<u>\$0</u>	<u>\$1,865,730</u>	<u>\$2,147,989</u>	<u>\$11,932,714</u>

Jackson City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements, and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,867,027	\$4,867,027	\$4,867,027	\$0
Intergovernmental	13,818,441	13,818,441	13,818,441	0
Investment Earnings	71,618	71,618	71,618	0
Tuition and Fees	637,451	637,451	638,467	1,016
Rent	3,096	3,096	3,096	0
Extracurricular	2,806	2,806	2,806	0
Miscellaneous	5,140	5,140	5,033	(107)
<i>Total Revenues</i>	<u>19,405,579</u>	<u>19,405,579</u>	<u>19,406,488</u>	<u>909</u>
Expenditures				
Current:				
Instruction:				
Regular	9,769,500	9,492,984	9,493,001	(17)
Special	1,005,880	1,242,767	1,242,766	1
Vocational	128,249	127,076	127,076	0
Support Services:				
Pupils	738,897	618,137	618,137	0
Instructional Staff	706,633	640,405	640,404	1
Board of Education	109,609	177,055	177,055	0
Administration	1,721,112	1,491,397	1,491,398	(1)
Fiscal	599,298	647,960	646,987	973
Business	65,572	63,733	63,733	0
Operation and Maintenance of Plant	3,051,424	2,574,532	2,569,516	5,016
Pupil Transportation	1,116,493	1,333,650	1,333,650	0
Central	45,189	84,656	84,656	0
Extracurricular Activities	391,541	412,573	412,574	(1)
Debt Service:				
Principal	308,449	295,000	295,000	0
Interest	113,144	108,211	108,211	0
<i>Total Expenditures</i>	<u>19,870,990</u>	<u>19,310,136</u>	<u>19,304,164</u>	<u>5,972</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(465,411)</u>	<u>95,443</u>	<u>102,324</u>	<u>6,881</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	40,290	40,290	40,290	0
Transfers In	15,636	15,636	15,636	0
Advances In	717,961	717,961	717,961	0
Transfers Out	(984)	(204)	(204)	0
Advances Out	(671,346)	(783,936)	(1,057,450)	(273,514)
<i>Total Other Financing Sources (Uses)</i>	<u>101,557</u>	<u>(10,253)</u>	<u>(283,767)</u>	<u>(273,514)</u>
<i>Net Change in Fund Balance</i>	<u>(363,854)</u>	<u>85,190</u>	<u>(181,443)</u>	<u>(266,633)</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,808,093</u>	<u>1,808,093</u>	<u>1,808,093</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>440,844</u>	<u>440,844</u>	<u>440,844</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,885,083</u>	<u>\$2,334,127</u>	<u>\$2,067,494</u>	<u>(\$266,633)</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements, and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Special Trust
For the Fiscal Year Ended June 30, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Tuition and Fees	\$900	\$900	\$898	(\$2)
Rent	3,514	3,514	3,500	(14)
Extracurricular	342,151	342,151	347,556	5,405
Gifts and Donations	48,875	48,875	48,676	(199)
Miscellaneous	8,152	8,152	8,119	(33)
<i>Total Revenues</i>	<u>403,592</u>	<u>403,592</u>	<u>408,749</u>	<u>5,157</u>
Expenditures				
Current:				
Instruction:				
Regular	10,550	32,346	32,347	(1)
Special	2,704	0	0	0
Support Services:				
Administration	8,605	15,546	15,546	0
Operation of Non-Instructional Services:				
Community Services	569,102	9,282	9,282	0
Extracurricular Activities	2,490	3,856	3,856	0
<i>Total Expenditures</i>	<u>593,451</u>	<u>61,030</u>	<u>61,031</u>	<u>(1)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(189,859)</u>	<u>342,562</u>	<u>347,718</u>	<u>5,156</u>
Other Financing Sources (Uses)				
Transfers In	67	67	67	0
Transfers Out	(43,040)	(51,694)	(51,694)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(42,973)</u>	<u>(51,627)</u>	<u>(51,627)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(232,832)	290,935	296,091	5,156
<i>Fund Balance at Beginning of Year</i>	988,797	988,797	988,797	0
Prior Year Encumbrances Appropriated	9,954	9,954	9,954	0
<i>Fund Balance at End of Year</i>	<u>\$765,919</u>	<u>\$1,289,686</u>	<u>\$1,294,842</u>	<u>\$5,156</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2006

	Private-Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,168,784</u>	<u>\$68,461</u>
Net Assets		
Endowments	\$405,213	\$0
Held in Trust for Scholarships	763,571	0
Restricted for Students	<u>0</u>	<u>68,461</u>
Total Net Assets	<u>\$1,168,784</u>	<u>\$68,461</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
*Statement of Changes in Fiduciary Net Assets -
Modified Cash Basis
Private-Purpose Trust Funds
June 30, 2006*

Additions	
Investment Earnings	\$23,636
Gifts and Donations	<u>4,250</u>
<i>Total Additions</i>	27,886
Deductions	
Scholarships	<u>35,273</u>
<i>Change in Net Assets</i>	(7,387)
<i>Net Assets Beginning of Year</i>	<u>1,176,171</u>
Net Assets End of Year	<u><u>\$1,168,784</u></u>

See accompanying notes to the basic financial statements

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Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 1 - Description of the School District and Reporting Entity

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 110 classified employees and 195 certified teaching and administrative personnel who provide services to 2,752 students and other community members.

Reporting Entity

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

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

The component unit column on the statement of net assets – modified cash basis and the statement of activities – modified cash basis identifies the financial data of the School District's component unit, the Center for Student Achievement (the Center). It is reported separately to emphasize that it is legally separate from the School District.

The Center is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Center is governed by a seven member Board of Directors appointed by the Superintendent of the Jackson City School District. The School District is able to impose its will on the Center.

The School District participates in the Southeastern Ohio Voluntary Education Consortium, the Gallia-Jackson-Vinton Joint Vocational School District, the Coalition and Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio School Plan which are defined as insurance purchasing pools. These organizations are presented in Notes 13 and 14.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified 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 modified 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.

A. Basis of Presentation

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

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

The statement of net assets – modified cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities – modified cash basis 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 general receipts of the School District.

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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

Special Trust Special Revenue Fund The Special Trust Special Revenue Fund is used to account for the proceeds of gifts and donations used for student scholarships.

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

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

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

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

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service. The School District has no proprietary funds.

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

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

As a result of the use of this modified 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 good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

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

During 2006, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2006.

The School District has segregated investment accounts for trust monies held separate from the School District's central bank account and is not presented in the accompanying financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$71,618, which includes \$57,660 assigned from other School District funds.

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

E. Restricted Assets

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

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

L. Net 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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursements for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets – modified cash basis reports \$9,717,754 of restricted net assets, none of which is restricted by enabling legislation.

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances.

N. Interfund Transactions

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

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

A. Change in Basis of Accounting

For fiscal year 2006, the School District ceased to report using generally accepted accounting principles and reported on the modified cash basis as described in Note 2.C.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

B. Restatement of Fund Equity

The implementation of this change had the following effects on fund equity of the major and nonmajor funds of the School District as they were previously reported. The effects on net assets of governmental activities are also presented.

	General	Special Trust	Bond Retirement	Permanent Improvements
Fund Balance, June 30, 2005	\$879,478	\$1,150,320	(\$164,005)	\$10,888,241
Eliminate Unreported Items	4	0	0	0
Eliminate Asset Accruals	(4,730,894)	(1,416,462)	(1,067,176)	(705,959)
Eliminate Prepaids	(67,854)	0	0	0
Eliminate Inventory	0	0	0	0
Eliminate Interfund Activity	(718,024)	0	717,961	0
Eliminate Liability Accruals	6,886,227	1,264,896	1,015,092	673,774
Restated Fund Balance, June 30, 2005	<u>\$2,248,937</u>	<u>\$998,754</u>	<u>\$501,872</u>	<u>\$10,856,056</u>

	Classroom Facilities	Jones Trust	Other Governmental	Total Governmental
Fund Balance, June 30, 2005	(\$987,272)	\$6,463,010	\$1,444,283	\$19,674,055
Eliminate Unreported Items	0	(4,744,700)	(495)	(4,745,191)
Eliminate Asset Accruals	(1,922,483)	0	(62,607)	(9,905,581)
Eliminate Prepaids	(5,931)	0	0	(73,785)
Eliminate Inventory	0	0	(17,466)	(17,466)
Eliminate Interfund Activity	0	0	63	0
Eliminate Liability Accruals	3,898,065	0	350,875	14,088,929
Restated Fund Balance, June 30, 2005	<u>\$982,379</u>	<u>\$1,718,310</u>	<u>\$1,714,653</u>	<u>\$19,020,961</u>

	Governmental Activities
Net Assets, June 30, 2005	\$57,791,581
Eliminate Unreported Items	(4,745,191)
Eliminate Asset Accruals	(9,905,581)
Eliminate Prepaids	(73,785)
Eliminate Inventory	(17,466)
Eliminate Capital Assets	(56,120,193)
Eliminate Liability Accruals	32,091,596
Restated Net Assets, June 30, 2005	<u>\$19,020,961</u>

Note 4 – Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (an outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$149,463
Major Special Revenue Fund:	
Special Trust	2,030

Note 6 - Deposits and Investments

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

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

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

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

Interim monies 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 other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,262,860 of the School District's bank balance of \$5,462,860 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments As of June 30, 2006, the School District's investment in STAROhio had an average maturity of thirty-nine days and a fair value of \$8,568,381.

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value listed as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2005 Second- Half Collections		2006 First- Half Collections	
Real Property	\$179,978,880	80.84%	\$231,138,510	84.24%
Public Utility Tangible Personal Property	28,868,728	12.97%	29,640,165	10.80%
Tangible Personal Property	13,791,030	6.19%	13,602,850	4.96%
Total	<u>\$222,638,638</u>	<u>100.00%</u>	<u>\$274,381,525</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation		\$27.80		\$30.07

Note 8 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2006, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 14).

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The types and amounts of coverage provided by the Ohio School Plan are as follows

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$95,547,673
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Products - Completed Operations Aggregate Limit	0	1,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	500,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	2,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Hazardous Substances	0	250,000
CFC Refrigeration	0	250,000
Spoilage	0	250,000
Vehicles:		
Bodily Injury:		
Per Person	0	4,000,000
Per Accident	0	4,000,000
Property Damage	0	4,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2005.

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 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, 2006, 2005, and 2004, were \$429,303, \$333,631, and \$291,229, respectively; 61.85 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

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

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

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

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

For the fiscal year ended June 30, 2006, 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. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004, were \$1,338,885, \$1,229,049, and \$1,201,630 respectively; 83.27 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$138 made by the School District and \$7,794 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2006, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 10 - Postemployment Benefits

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs 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, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$102,991 for fiscal year 2006.

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

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

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, the School District paid \$182,512 to fund health care benefits, including the surcharge.

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

Note 11 - Employee Benefits

A. Compensated Absences

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

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

B. Insurance Benefits

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

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

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 12 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Principal Outstanding 6/30/05	Additions	Deductions	Principal Outstanding 6/30/06	Amounts Due in One Year
Governmental Activities:					
2001 3.25-5.50% Classroom Facilities General Obligation Bonds					
Serial Bonds	\$6,105,000	\$0	\$3,995,000	\$2,110,000	\$290,000
Term Bonds	6,700,000	0	6,700,000	0	0
Capital Appreciation Accretion on Capital	174,058	0	0	174,058	0
Appreciation Bonds	196,362	76,975	0	273,337	0
2005 3.25-4.75% Classroom Facilities Refunding Bonds					
Serial Bonds	0	7,555,000	0	7,555,000	0
Term Bonds	0	2,475,000	0	2,475,000	0
Capital Appreciation Accretion on Capital	0	415,000	0	415,000	0
Appreciation Bonds	0	42,419	0	42,419	0
Deferred Amount on Refunding	0	(867,028)	(37,697)	(829,331)	0
Serial Bond Premium	0	1,044,509	45,416	999,093	0
2001 4.20 to 4.75% Classroom Facilities Tax Anticipation Notes					
	2,520,000	0	295,000	2,225,000	315,000
2004 3.25% Alumni Stadium Lease-Purchase Agreement					
	2,880,000	0	320,000	2,560,000	320,000
Total Governmental Activities Long-Term Liabilities	<u>\$18,575,420</u>	<u>\$10,741,875</u>	<u>\$11,317,719</u>	<u>\$17,999,576</u>	<u>\$925,000</u>

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

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Principal and interest requirements to retire the Classroom Facilities General Obligation Bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Bond Principal	Capital Appreciation Bond Interest
2007	\$290,000	\$652,670	\$0	\$0
2008	315,000	641,360	0	0
2009	330,000	628,602	0	0
2010	365,000	614,743	0	0
2011	390,000	599,047	0	0
2012 - 2016	420,000	581,888	174,058	4,072,892
	<u>\$2,110,000</u>	<u>\$3,718,310</u>	<u>\$174,058</u>	<u>\$4,072,892</u>

The remaining portion of the serial bonds, originally issued at \$6,510,000 with bonds maturing on December 1, 2002 to December 1, 2016 are subject to optional redemption, in whole or in part, at the option of the School District, in integral multiples of \$5,000, after December 1, 2011 at the redemption rate of 100%, plus accrued interest to the redemption date.

The capital appreciation bonds, issued at \$174,058, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2013 to December 1, 2016. The maturity amounts of the capital appreciation bonds are \$480,000, \$490,000, \$500,000, and \$525,000. Accretion on the capital appreciation bonds at June 30, 2006 is \$273,337.

2005 Classroom Facilities Refunding Bonds On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds, with a premium of \$1,044,509, to partially retire \$12,979,058 of outstanding Classroom Facilities General Obligation Bonds. An analysis of this information follows:

	Classroom Facilities Bonds
Outstanding at 6/30/05	\$12,979,058
Principal Payments	(\$250,000)
Unrefunded Serial Bonds	(\$2,110,000)
Unrefunded Capital Appreciation Bonds	(174,058)
Amount Refunded	<u>\$10,445,000</u>

The premium is reported as an increase to bonds payable. The premium is being amortized to interest expense over the life of the bonds using the straight-line method. The advanced refunding resulted in an accounting loss, the difference between the net carrying amount of the debt and the reacquisition price, in the amount of \$867,028. This difference is being reported in the accompanying financial statements as a decrease to bonds payable and is being amortized to interest expense over the life of the bonds using the straight-line method. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$401,708. The issuance resulted in a total economic gain of \$385,165.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

Principal and interest requirements to retire the Classroom Facilities Improvements Refunding General Obligation Bonds outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2007	\$0	\$451,238	\$0	\$0
2008	55,000	450,344	0	0
2009	110,000	447,663	0	0
2010	115,000	444,006	0	0
2011	120,000	440,038	0	0
2012 - 2016	650,000	2,133,069	0	0
2017 - 2021	1,545,000	756,031	0	0
2022 - 2026	4,960,000	1,147,713	0	0
2027 - 2028	0	0	2,475,000	106,994
	<u>\$7,555,000</u>	<u>\$6,270,102</u>	<u>\$2,475,000</u>	<u>\$106,994</u>

The serial bonds, issued at \$7,555,000 with bonds maturing on December 1, 2007 to December 1, 2025 are subject to optional redemption, in whole or in part, at the option of the School District, in integral multiples of \$5,000, after December 1, 2015 at the redemption rate of 100%, plus accrued interest to the redemption date.

The term bonds, issued at \$2,475,000, maturing on December 1, 2026, to December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Ending June 30,	Amount
2027	\$1,195,000
2028	1,280,000
Total	<u>\$2,475,000</u>

The capital appreciation bonds, issued at \$415,000, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2016 to December 1, 2018. The maturity amounts of the capital appreciation bonds are \$680,000, \$690,000, and \$740,000. Accretion on the capital appreciation bonds at June 30, 2006 is \$42,419.

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

Principal and interest requirements to retire the Classroom Facilities Tax Anticipation Notes outstanding at June 30, 2006, are as follows:

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$315,000	\$101,942	\$416,942
2008	335,000	88,240	423,240
2009	355,000	73,333	428,333
2010	380,000	57,180	437,180
2011	400,000	39,700	439,700
2012	440,000	20,900	460,900
	<u>\$2,225,000</u>	<u>\$381,295</u>	<u>\$2,606,295</u>

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

Principal and interest requirements to retire the Alumni Stadium Lease-Purchase Agreement outstanding at June 30, 2006, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2007	\$320,000	\$93,600	\$413,600
2008	320,000	83,200	403,200
2009	320,000	72,800	392,800
2010	320,000	62,400	382,400
2011	320,000	52,000	372,000
2012 - 2014	960,000	104,000	1,064,000
	<u>\$2,560,000</u>	<u>\$468,000</u>	<u>\$3,028,000</u>

The School District's overall legal debt margin was \$9,263,574, with an unvoted debt margin of \$2,422,285 at June 30, 2006.

Note 13 - Jointly Governed Organizations

A. Southeastern Ohio Voluntary Education Consortium

The Southeastern Ohio Voluntary Education Consortium (SEOVEC) was created as a regional council of governments pursuant to State statutes. SEOVEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. SEOVEC has 34 participants consisting of 30 school districts and 4 educational service centers. SEOVEC is governed by a board which is selected by the member districts. SEOVEC possesses its own budgeting and taxing authority. The School District paid SEOVEC \$42,633 for services provided during the fiscal year. To obtain financial information write to the Southeastern Ohio Voluntary Education Consortium, at 221 North Columbus Road, Athens, Ohio 45701.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Gallia-Jackson-Vinton Joint Vocational School District

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

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2006.

D. South Eastern Ohio Special Education Regional Resource Center

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

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

Note 14 - Insurance Purchasing Pools

A. Ohio School Board Workers' Compensation Group Rating Program

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

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member school districts.

Note 15 – Contractual Commitments

As of June 30, 2006, the School District had contractual purchase commitments for the completion of construction of three new elementary schools, a middle school, a high school, and demolition costs related to each as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 06/30/06
High School	Classroom Facilities Capital Projects Fund	\$ 18,698,104	\$ 15,587,830	\$ 3,110,274
Middle School	Classroom Facilities Capital Projects Fund	9,698,207	9,121,832	576,375
Westview Elementary School	Classroom Facilities Capital Projects Fund	6,129,234	2,977,618	3,151,616
Southview Elementary School	Classroom Facilities Capital Projects Fund	9,736,658	6,405,908	3,330,750
Northview Elementary School	Classroom Facilities Capital Projects Fund	7,738,806	1,745,319	5,993,487
Demolition	Classroom Facilities Capital Projects Fund	258,573	237,260	21,313
Total		\$ 52,259,582	\$ 36,075,767	\$ 16,183,815

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

Note 16 - Interfund Activity and Balances

A. Transfers

Transfer from	Transfer to				Totals
	General	Special Trust	Permanent Improvements	Other Nonmajor Governmental	
General Fund	\$0	\$0	\$0	\$15,636	\$15,636
Special Trust	64	0	0	0	\$64
Classroom Facilities	0	0	7,947,661	0	\$7,947,661
Other Nonmajor Governmental	139	51,694	159,622	0	\$211,455
Total All Funds	\$203	\$51,694	\$8,107,283	\$15,636	\$8,174,816

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

B. Interfund Balances

Unpaid interfund cash balances at June 30, 2006, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$1,057,450	\$0
Special Revenue Fund:		
Management Information System	0	3,945
Debt Service Fund:		
Bond Retirement	0	783,936
Capital Projects Fund:		
Classroom Facilities	0	269,569
Total All Funds	\$1,057,450	\$1,057,450

The advance to the Bond Retirement Debt Service Fund was made for the School District's debt service requirements and the advances made to the Management Information System Special Revenue Fund and the Classroom Facilities Capital Projects Fund was made eliminate cash deficits. All of these amounts are expected to be received within one year.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 17 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

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

Note 18 - Set-Aside Calculations

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2005	(\$541,471)	(\$2,451,272)
Current Year Set-Aside Requirement	399,329	399,329
Current Year Offsets	0	(131,378)
Qualifying Disbursements	<u>(354,672)</u>	<u>(7,991,208)</u>
Totals	<u>(\$496,814)</u>	<u>(\$10,174,529)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$496,814)</u>	<u>(\$10,174,529)</u>
Set-Aside Reserve Balance as of June 30, 2006	<u>(\$496,814)</u>	<u>\$0</u>

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

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 19 – Center for Student Achievement

A. Description of the Entity

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center's mission is to serve K through 12 students who may be underperforming or not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005 by entering a three year contract with the Jackson City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer with the Center.

The Center operates under the direction of a seven-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center, these members can be Sponsor employees, and one or more parents and community civic leaders. During the fiscal year ended June 20, 2006, the Center paid to Tri-Rivers Educational Computer Association (TRECA) for providing planning, design, implementation, instructional, administrative, and technical services. Thus, the Center did not have any employees. The Center uses the facilities of the Sponsor.

B. Summary of Significant Accounting Policies

As discussed earlier in Note 2.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified 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 modified 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 Center's accounting policies.

Basis of Presentation The Center's basic financial statements consist of a statement of net assets – modified cash basis; a statement of modified cash receipts, cash disbursements and changes in cash basis net assets; and a statement of cash flows.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Measurement Focus and Basis of Accounting The enterprise activity is accounted for using a flow of economic resources measurement focus. Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this modified 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 good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements

Budgetary Process Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code Section 5705.

Cash and Cash Equivalents Cash received by the Center is reflected as "cash and cash equivalents" on the statement of net assets. The Center had no investments during the fiscal year ended June 30, 2006.

Capital Assets Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the Center's financial statements.

Net Assets Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports no restricted net assets.

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

Operating Revenues and Expenses Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

C. Deposits

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

At June 30, 2006, the carrying amount of the Center's deposits was \$72,092 and the bank balance was \$72,092. All of the bank balance was covered by federal deposit insurance. There were no significant statutory requirements regarding the deposit and investment of funds by the nonprofit corporation.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006*

D. Contract with TRECA

The Center entered into a one year contract on August 8, 2005, with Tri-Rivers Educational Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Center with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Center's educational plan and the Center's assessment and accountability plan.
- All personnel providing services to the Center on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided to the Center by TRECA shall include access to, and the use of computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Center shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Center.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including hardware) provided by the TRECA, the Center shall pay to TRECA \$4,200 per full-time student enrolled in the Center per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

The Center paid TRECA \$18,556 for services rendered in fiscal year 2006. To obtain TRECA's audited June 30, 2006 financial statements, please contact Scott Armstrong, Treasurer, at scott@treca.org.

E. Risk Management

The Center is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the fiscal year ended June 30, 2006, the Center had liability insurance through the Jackson City School District's insurance policy.

F. Purchased Services

For the period July 1, 2005 through June 30, 2006, the Center had expenses of \$22,819 for professional and technical services.

G. Related Party Transactions

The seven members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor, and includes the superintendent. The Center is reported as a component unit of the Sponsor.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

H. Contingencies

Grants The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2006.

Litigation A suit was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process, and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the Center is not determinable at this time.

Ohio Department of Education Enrollment Review The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2006 review was not completed prior to the compilation of the Center's financial statements.

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**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 58,329	\$	\$ 58,329
Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2005	26,485		26,485	
		05PU-2006	86,426		86,426	
Total School Breakfast Program			112,911	0	112,911	0
National School Lunch Program	10.555	LLP4-2005	103,049		103,049	
		LLP4-2006	359,315		359,315	
Total National School Lunch Program			462,364	0	462,364	0
Total Nutrition Cluster			575,275	0	575,275	0
Total United States Department of Agriculture			575,275	58,329	575,275	58,329
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1SD-2005	(11,232)		90,298	
		C1SD-2006	26,736		18,175	
		C1S1-2006	581,209		489,833	
Total Title I Grants to Local Educational Agencies			596,713	0	598,306	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSF-2005			76,218	
		6BSF-2006	629,579		526,364	
Total Special Education - Grants to States			629,579	0	602,582	0
Special Education - Preschool Grants	84.173	PGS1-2005	3,370		3,370	
		PGS1-2006	38,993		12,058	
Total Special Education - Preschool Grants			42,363	0	15,428	0
Total Special Education Cluster			671,942	0	618,010	0
Safe and Drug-Free Schools and Communities	84.186	DRS1-2006	17,687		17,687	
Innovative Education Program Strategies	84.298	C2S1-2006	8,237		6,531	
Education Technology State Grants	84.318	TJS1-2006	10,575		8,894	
Improving Teacher Quality Grants	84.367	TRS1-2005	1,257		49,872	
		TRS1-2006	166,259		150,307	
Total Improving Teacher Quality Grants			167,516	0	200,179	0
Total United States Department of Education			1,472,670	0	1,449,607	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program -						
Community Alternative Funding System (CAFS)	93.778	N/A	97,057		97,057	
State Children's Insurance Program (SCHIP)	93.767	N/A	8,913		8,913	
Total United States Department of Health and Human Services			105,970	0	105,970	0
Total Federal Awards Receipts and Expenditures			\$ 2,153,915	\$ 58,329	\$ 2,130,852	\$ 58,329

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
JUNE 30, 2006**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – TRANSFERS

During fiscal year 2006, the Ohio Department of Education (ODE) authorized the School District to carryover monies from the prior fiscal year to the current fiscal year. Authorized carryover monies are shown as a reduction of federal revenues in the program that the transfer was made from and increased federal revenue in the program that received the transfer or carryover. A detailed listing of the transfers/carryovers were as follows:

CFDA Number	Program Title	Pass- Through Entity Number	Transfers Out	Transfers In
84.010	Title I Grants to Local Educational Agencies	C1-SD-05	\$ 11,232	
84.010	Title I Grants to Local Educational Agencies	C1-SD-06		\$ 11,232



Mary Taylor, CPA

Auditor of State

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

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2007, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic 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 to be material weaknesses. In a separate letter to the School District's management dated March 15, 2007, 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 basic 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 to 2006-003. In a separate letter to the School District's management dated March 15, 2007, we reported other matters related to noncompliance we deemed immaterial.

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www.auditor.state.oh.us

Jackson City School District
Jackson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007



Mary Taylor, CPA

Auditor of State

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

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

Compliance

We have audited the compliance of the Jackson City School District, Jackson County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal noncompliance not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 15, 2007.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 15, 2007

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010 Nutrition Cluster: School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

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

FINDING NUMBER 2006-001

Noncompliance Citation

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

Ohio Admin. Code Section 117-2-03(B) requires the School District to file its annual financial report pursuant to generally accepted accounting principles. However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

The School District has chosen to use the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.

FINDING NUMBER 2006-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 provides, in part, that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

As discussed in Auditor of State Bulletin 97-012, if a local government is participating in a grant or loan program whereby proceeds will be received after the expenditures are incurred, it is possible that if properly budgeted, appropriations for one fiscal year will exceed the available amount on the certificate of estimated resources. However, as discussed in Auditor of State Bulletin 97-003, an advance should be used to prevent a negative fund balance. Negative variances in grant funds, between appropriations and certified available resources, should be investigated to determine the cause of the variance.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation – Ohio Rev. Code Section 5705.39 (Continued)

The School District did not obtain a certified amended certificate of estimated resources until June 29, 2006. As a result, appropriations exceeded estimated resources in all funds throughout the year. However, at June 30, 2006, appropriations were within the estimated resources certified by the County Auditor.

We recommend the Treasurer regularly monitor total appropriations to determine that they do not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation.

Officials' Response:

No fund encountered appropriations in excess of available resources.

FINDING NUMBER 2006-003

Noncompliance Citation

Ohio Rev. Code Sections 5705.14 - .16 states that transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the board members.

The School District made transfers of funds throughout the year and at fiscal year-end. A formal resolution approving transfers was not approved by the Board of Education throughout the year, but only at year-end.

Further, transfers were made from the Classroom Facilities Fund to the Permanent Improvements Fund (\$7,947,661) to correct accounting errors regarding where these funds were posted and expended, as identified in the School District's agreed-upon procedures report from the Ohio School Facilities Commission. However, these transfers did not have the approval of the Court of Common Pleas and the Tax Commissioner of Ohio, as required by Ohio Rev. Code Section 5705.16.

We recommend the Board of Education approve all transfers prior to them being posted in the School District's financial records

Officials' Response

The School District originally coded its bond proceeds in the Capital Fund (003 – Permanent Improvement). Subsequently, the School District learned of the need to code these funds as 004 and 010, also considered Capital Funds but with different fund numbers. At no time would a Court of Common Pleas approval be required to approve an accounting error where the fund's original intent was still upheld. The accounting correction was made in the most efficient way possible once the Ohio School Facilities Commission concluded its own internal audit.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

None.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2005-001	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.36 as a result of the School District not certifying to the county auditor the total amount from all sources available for expenditures	No	Not Corrected: This item is no longer as significant and is included in the current audit Management Letter.
2005-002	A material noncompliance citation was issued for Ohio Rev. Code Section 5705.39 as a result of appropriations exceeding estimated resources.	Yes	Not Corrected: This item is repeated in the current audit Schedule of Findings as finding number 2006-002.



Mary Taylor, CPA
Auditor of State

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2007