

**JOHNSTOWN-MONROE  
LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2006**

**TAMMY WOODS, TREASURER**





# Mary Taylor, CPA

Auditor of State

Board of Education  
Johnstown-Monroe Local School District  
441 South Main Street  
Johnstown, Ohio 43031

We have reviewed the *Independent Auditor's Report* of the Johnstown-Monroe Local School District, Licking County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 20, 2007

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**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Board of Education  
Johnstown-Monroe Local School District  
441 S. Main Street  
Johnstown, OH 43031

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, (the "District"), as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Johnstown-Monroe Local School District

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
December 14, 2006

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Johnstown-Monroe Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$742,912 which represents a 20.24% increase from 2005.
- General revenues accounted for \$11,464,833 in revenue or 88.50% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,490,379 or 11.50% of total revenues of \$12,955,212.
- The District had \$12,212,300 in expenses related to governmental activities; \$1,490,379 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,464,833 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$12,229,971 in revenues and other financing sources and \$11,293,146 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance increased \$936,825 from \$1,889,564 to \$2,826,389.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

***Fund Financial Statements***

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

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-47 of this report.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**The District as a Whole**

The table below provides a summary of the District's net assets for 2006 and 2005.

	<b>Net Assets</b>	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,298,631	\$ 6,974,835
Capital assets	<u>2,656,864</u>	<u>2,537,613</u>
Total assets	<u>10,955,495</u>	<u>9,512,448</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,114,129	4,644,691
Long-term liabilities	<u>1,428,347</u>	<u>1,197,650</u>
Total liabilities	<u>6,542,476</u>	<u>5,842,341</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,992,546	2,105,282
Restricted	123,751	135,139
Unrestricted	<u>2,296,722</u>	<u>1,429,686</u>
Total net assets	<u>\$ 4,413,019</u>	<u>\$ 3,670,107</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$4,413,019. Of this total, \$2,296,722 is unrestricted in use.

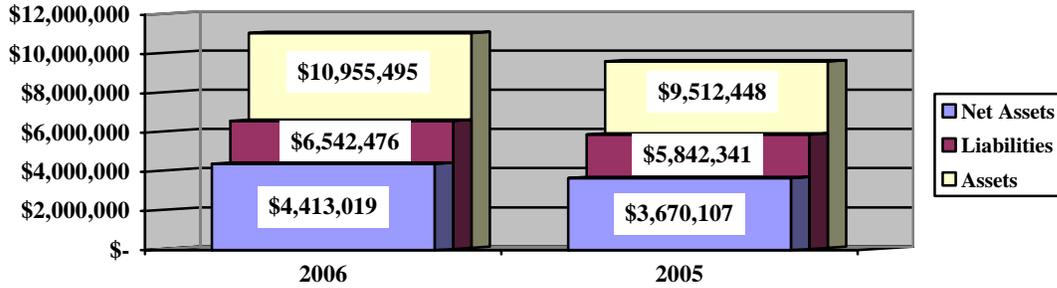
At year-end, capital assets represented 24.25% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$1,992,546. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$123,751, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,296,722 may be used to meet the District's ongoing obligations to the students and creditors.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2006 and 2005.

**Change in Net Assets**

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 854,253	\$ 821,675
Operating grants and contributions	636,126	583,875
Capital grants and contributions	-	11,235
General revenues:		
Property taxes	3,929,266	3,845,654
School district income taxes	1,794,280	1,608,596
Grants and entitlements	5,519,235	5,351,780
Investment earnings	134,120	43,655
Contributions and donations	69,301	-
Miscellaneous	<u>18,631</u>	<u>34,050</u>
Total revenues	<u>12,955,212</u>	<u>12,300,520</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Change in Net Assets**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,524,377	\$ 5,378,550
Special	985,814	912,207
Vocational	188,903	185,276
Support services:		
Pupil	611,600	473,212
Instructional staff	466,315	395,207
Board of education	76,892	65,079
Administration	938,134	783,727
Fiscal	389,801	273,059
Operations and maintenance	1,269,846	1,028,157
Pupil transportation	764,666	693,104
Central	101,227	76,286
Operation of non-instructional services:		
Food service operations	365,866	332,459
Other non-instructional services	247	1,624
Extracurricular activities	500,448	464,242
Interest and fiscal charges	<u>28,164</u>	<u>32,153</u>
Total expenses	<u>12,212,300</u>	<u>11,094,342</u>
Change in net assets	742,912	1,206,178
Net assets at beginning of year	<u>3,670,107</u>	<u>2,463,929</u>
Net assets at end of year	<u><u>\$ 4,413,019</u></u>	<u><u>\$ 3,670,107</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$742,912. Total governmental expenses of \$12,212,300 were offset by program revenues of \$1,490,379 and general revenues of \$11,464,833. Program revenues supported 12.20% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 86.78% of total governmental revenue.

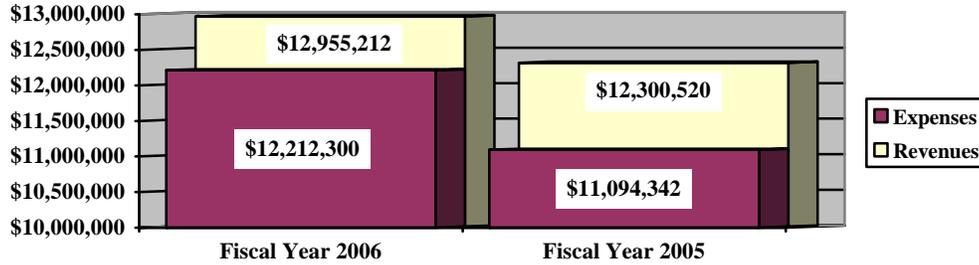
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,699,094 or 54.86% of total governmental expenses for fiscal 2006.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

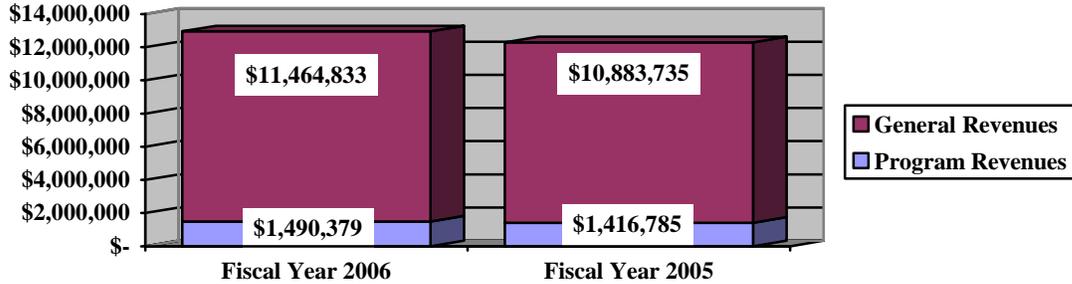
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,524,377	\$ 5,050,066	\$ 5,378,550	\$ 4,929,904
Special	985,814	697,626	912,207	579,132
Vocational	188,903	165,429	185,276	161,171
Support services:				
Pupil	611,600	544,369	473,212	420,361
Instructional staff	466,315	439,609	395,207	376,889
Board of education	76,892	76,892	65,079	65,079
Administration	938,134	938,134	783,727	783,727
Fiscal	389,801	385,860	273,059	273,059
Operations and maintenance	1,269,846	1,269,846	1,028,157	1,028,157
Pupil transportation	764,666	764,621	693,104	667,881
Central	101,227	89,227	76,286	49,750
Operation of non-instructional services:				
Food service operations	365,866	10,967	332,459	24,852
Other non-instructional services	247	247	1,624	246
Extracurricular activities	500,448	260,864	464,242	285,196
Interest and fiscal charges	28,164	28,164	32,153	32,153
<b>Total expenses</b>	<u>\$ 12,212,300</u>	<u>\$ 10,721,921</u>	<u>\$ 11,094,342</u>	<u>\$ 9,677,557</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 88.27% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.80%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,958,708, which is higher than last year's total of \$2,054,997. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 2,826,389	\$ 1,889,564	\$ 936,825	49.58 %
Other Governmental	<u>132,319</u>	<u>165,433</u>	<u>(33,114)</u>	(20.02) %
Total	<u>\$ 2,958,708</u>	<u>\$ 2,054,997</u>	<u>\$ 903,711</u>	43.98 %

**General Fund**

The District's general fund balance increased \$936,825. The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2006 by \$605,149. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 5,753,633	\$ 5,409,783	\$ 343,850	6.36 %
Tuition	325,615	335,655	(10,040)	(2.99) %
Earnings on investments	133,563	44,263	89,300	201.75 %
Intergovernmental	5,519,235	5,348,965	170,270	3.18 %
Other revenues	<u>89,447</u>	<u>88,047</u>	<u>1,400</u>	1.59 %
 Total	 <u>\$ 11,821,493</u>	 <u>\$ 11,226,713</u>	 <u>\$ 594,780</u>	 5.30 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,148,308	\$ 5,922,369	\$ 225,939	3.82 %
Support services	4,715,281	3,670,655	1,044,626	28.46 %
Extracurricular activities	282,313	247,006	35,307	14.29 %
Facilities acquisition and construction	22,492	306	22,186	7,250.33 %
Debt service	<u>47,950</u>	<u>50,846</u>	<u>(2,896)</u>	(5.70) %
 Total	 <u>\$ 11,216,344</u>	 <u>\$ 9,891,182</u>	 <u>\$ 1,325,162</u>	 13.40 %

***General Fund Budgeting Highlights***

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

During the course of fiscal 2006, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$11,074,485 and final budgeted revenues and other financing sources were \$13,112,554. Actual revenues and other financing sources for fiscal 2006 was \$13,109,830. This represents a \$2,724 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$11,400,333 were increased to \$12,981,705 in the final appropriations. The actual budget basis expenditures for fiscal year 2006 totaled \$12,450,550, which was \$531,155 less than the final budget appropriations.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2006, the District had \$2,656,864 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	2005
Land	\$ 280,961	\$ 280,961
Land improvements	203,078	232,681
Building and improvements	1,243,356	1,004,156
Furniture and equipment	913,122	987,807
Vehicles	16,347	32,008
Total	\$ 2,656,864	\$ 2,537,613

The overall increase in capital assets of \$119,251 is due to capital outlays of \$369,800 exceeding depreciation expense of \$225,636 and disposals of \$169,519 exceeding accumulated depreciation on the disposals of \$144,606 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2006, the District had \$630,577 in energy conservation notes outstanding. Of this total, \$98,290 is due within one year and \$532,287 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ -	\$ 75,000
Energy conservation notes	630,577	281,609
Total	\$ 630,577	\$ 356,609

At June 30, 2006, the District's overall legal debt margin was \$19,936,716, and an unvoted debt margin of \$221,484.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**Current Financial Related Activities**

The Johnstown-Monroe Local School District is currently financially sound. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and grants and entitlements. The District realized an increase in tax revenue in fiscal year 2006 due to realizing the full collection on the one percent income tax, the triennial valuation update in 2005, and planned growth in the District residential real estate tax base. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses through fiscal year 2009. The District collects \$1,900,000 from the 1% income tax which is greater than the expected amount of \$1,600,000. However, the future financial stability of the District is not without challenges.

The District currently has a sufficient cash balance to meet projected operating expenses through fiscal year 2009. Beginning in fiscal year 2008, projected expenditures exceed projected revenues. The next challenge facing the District is the rapid increase in enrollment over the next several years. These projected increases are due to planned residential growth in the District. The District is currently utilizing five modular classrooms to house students. The last five attempts to pass a building bond levy have not passed. The District is currently investigating the options available to house the growing student enrollment. The Board has created the Facility Finance Committee to investigate solutions to the overcrowding problem within the District.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations. The passage of house bill 66 leaves the District receiving "guarantee" funding from the state. This "guarantee" funding brings the District's state funding level up to the same level of funding that it received in fiscal year 2005. The District does not anticipate a significant growth in State revenue.

In conclusion, the District has committed itself to financial excellence for many years.

**Contacting the 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 District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tamara Woods, Treasurer, Johnstown-Monroe Local School District, 441 S. Main Street, Johnstown, Ohio 43031.

**BASIC  
FINANCIAL STATEMENTS**

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2006

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 3,079,043
Receivables:	
Taxes . . . . .	5,165,541
Accounts . . . . .	1,511
Accrued interest . . . . .	5,269
Intergovernmental . . . . .	13,443
Prepayments . . . . .	12,272
Materials and supplies inventory . . . . .	21,552
Capital assets:	
Land . . . . .	280,961
Depreciable capital assets, net . . . . .	2,375,903
Capital assets, net. . . . .	2,656,864
 Total assets. . . . .	 10,955,495
<b>Liabilities:</b>	
Accounts payable. . . . .	44,835
Accrued wages and benefits . . . . .	841,449
Pension obligation payable. . . . .	260,655
Intergovernmental payable . . . . .	40,157
Deferred revenue . . . . .	3,924,699
Accrued interest payable . . . . .	2,334
Long-term liabilities:	
Due within one year. . . . .	200,656
Due in more than one year . . . . .	1,227,691
Total liabilities . . . . .	6,542,476
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,992,546
Restricted for:	
Debt service. . . . .	846
Locally funded programs . . . . .	2,444
State funded programs . . . . .	10,011
Federally funded programs . . . . .	4,623
Student activities . . . . .	40,887
Other purposes . . . . .	64,940
Unrestricted. . . . .	2,296,722
Total net assets . . . . .	\$ 4,413,019

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,524,377	\$ 389,178	\$ 85,133	\$ (5,050,066)
Special . . . . .	985,814	-	288,188	(697,626)
Vocational . . . . .	188,903	-	23,474	(165,429)
Support services:				
Pupil. . . . .	611,600	-	67,231	(544,369)
Instructional staff . . . . .	466,315	-	26,706	(439,609)
Board of education . . . . .	76,892	-	-	(76,892)
Administration. . . . .	938,134	-	-	(938,134)
Fiscal. . . . .	389,801	-	3,941	(385,860)
Operations and maintenance . . . . .	1,269,846	-	-	(1,269,846)
Pupil transportation. . . . .	764,666	45	-	(764,621)
Central . . . . .	101,227	-	12,000	(89,227)
Operation of non-instructional services:				
Food service operations . . . . .	365,866	254,388	100,511	(10,967)
Other non-instructional services . . . . .	247	-	-	(247)
Extracurricular activities. . . . .	500,448	210,642	28,942	(260,864)
Interest and fiscal charges . . . . .	28,164	-	-	(28,164)
Total governmental activities . . . . .	<u>\$ 12,212,300</u>	<u>\$ 854,253</u>	<u>\$ 636,126</u>	<u>(10,721,921)</u>

**General Revenues:**

Property taxes levied for:

General purposes . . . . .	3,929,266
School district income taxes . . . . .	1,794,280
Grants and entitlements not restricted to specific programs. . . . .	5,519,235
Investment earnings . . . . .	134,120
Contributions and donations . . . . .	69,301
Miscellaneous . . . . .	18,631
Total general revenues . . . . .	<u>11,464,833</u>

Change in net assets . . . . . 742,912

**Net assets at beginning of year. . . . .** 3,670,107

**Net assets at end of year . . . . .** \$ 4,413,019

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,845,172	\$ 168,931	\$ 3,014,103
Receivables:			
Taxes . . . . .	5,165,541	-	5,165,541
Accounts . . . . .	-	1,511	1,511
Accrued interest . . . . .	5,269	-	5,269
Intergovernmental . . . . .	3,160	10,283	13,443
Prepayments . . . . .	12,272	-	12,272
Materials and supplies inventory . . . . .	13,900	7,652	21,552
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	64,940	-	64,940
<b>Total assets . . . . .</b>	<u>\$ 8,110,254</u>	<u>\$ 188,377</u>	<u>\$ 8,298,631</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 41,700	\$ 3,135	\$ 44,835
Accrued wages and benefits . . . . .	811,222	30,227	841,449
Compensated absences payable . . . . .	52,792	-	52,792
Pension obligation payable. . . . .	238,993	21,662	260,655
Intergovernmental payable. . . . .	39,123	1,034	40,157
Deferred revenue. . . . .	4,100,035	-	4,100,035
<b>Total liabilities . . . . .</b>	<u>5,283,865</u>	<u>56,058</u>	<u>5,339,923</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	659,042	53,275	712,317
Reserved for materials and supplies inventory. . . . .	13,900	7,652	21,552
Reserved for prepayments . . . . .	12,272	-	12,272
Reserved for property tax unavailable for appropriation . . . . .	164,368	-	164,368
Reserved for debt service. . . . .	-	3,162	3,162
Reserved for textbooks. . . . .	10,106	-	10,106
Reserved for capital acquisition. . . . .	54,834	-	54,834
Unreserved:			
Designated for budget stabilization. . . . .	603,797	-	603,797
Undesignated, reported in:			
General fund . . . . .	1,308,070	-	1,308,070
Special revenue funds . . . . .	-	68,230	68,230
<b>Total fund balances . . . . .</b>	<u>2,826,389</u>	<u>132,319</u>	<u>2,958,708</u>
<b>Total liabilities and fund balances . . . . .</b>	<u>\$ 8,110,254</u>	<u>\$ 188,377</u>	<u>\$ 8,298,631</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006

<b>Total governmental fund balances</b>		\$	2,958,708
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			2,656,864
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.			175,336
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.			(2,334)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	\$	711,237	
Energy conservation notes		630,577	
Capital lease obligation		33,741	
Total			(1,375,555)
<b>Net assets of governmental activities</b>		\$	4,413,019

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 5,753,633	\$ -	\$ 5,753,633
Tuition. . . . .	325,615	-	325,615
Transportation fees . . . . .	45	18,740	18,785
Earnings on investments. . . . .	133,563	557	134,120
Charges for services. . . . .	-	254,388	254,388
Extracurricular. . . . .	-	191,902	191,902
Classroom materials and fees . . . . .	-	62,093	62,093
Other local revenues. . . . .	89,402	28,942	118,344
Intergovernmental - Intermediate. . . . .	-	8,421	8,421
Intergovernmental - State. . . . .	5,519,235	54,129	5,573,364
Intergovernmental - Federal . . . . .	-	544,634	544,634
Total revenue . . . . .	<u>11,821,493</u>	<u>1,163,806</u>	<u>12,985,299</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,316,645	122,748	5,439,393
Special. . . . .	664,538	306,600	971,138
Vocational. . . . .	167,125	17,181	184,306
Support services:			
Pupil. . . . .	533,254	70,878	604,132
Instructional staff . . . . .	426,175	26,843	453,018
Board of education . . . . .	76,892	-	76,892
Administration. . . . .	904,652	-	904,652
Fiscal . . . . .	379,416	4,200	383,616
Operations and maintenance. . . . .	1,541,900	-	1,541,900
Pupil transportation . . . . .	764,060	-	764,060
Central. . . . .	88,932	12,295	101,227
Food service operations . . . . .	-	359,605	359,605
Extracurricular activities. . . . .	282,313	198,101	480,414
Facilities acquisition and construction . . . . .	22,492	-	22,492
Debt service:			
Principal retirement . . . . .	41,981	132,210	174,191
Interest and fiscal charges . . . . .	5,969	23,061	29,030
Total expenditures . . . . .	<u>11,216,344</u>	<u>1,273,722</u>	<u>12,490,066</u>
Excess of revenues over (under) expenditures . . . . .	<u>605,149</u>	<u>(109,916)</u>	<u>495,233</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	76,802	76,802
Transfers (out). . . . .	(76,802)	-	(76,802)
Sale of notes. . . . .	406,178	-	406,178
Sale of capital assets . . . . .	2,300	-	2,300
Total other financing sources (uses) . . . . .	<u>331,676</u>	<u>76,802</u>	<u>408,478</u>
Net change in fund balances . . . . .	936,825	(33,114)	903,711
<b>Fund balances at beginning of year . . . . .</b>	<u>1,889,564</u>	<u>165,433</u>	<u>2,054,997</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 2,826,389</u>	<u>\$ 132,319</u>	<u>\$ 2,958,708</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

<b>Net change in fund balances - total governmental funds</b>	\$	903,711
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Additions	\$ 369,800	
Depreciation expense	<u>(225,636)</u>	
Total		144,164
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
Disposals	(169,519)	
Accumulated depreciation on disposals	<u>144,606</u>	
Total		(24,913)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(30,087)
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		174,191
Proceeds of notes are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(406,178)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on notes and leases.		
		866
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(18,842)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>742,912</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,111,788	\$ 6,052,525	\$ 6,052,525	\$ -
Tuition . . . . .	275,005	325,615	325,615	-
Transportation fees . . . . .	38	45	45	-
Earnings on investments. . . . .	110,639	131,000	128,294	(2,706)
Other local revenues . . . . .	70,792	83,820	83,812	(8)
Intergovernmental - State . . . . .	4,662,539	5,520,599	5,520,599	-
Total revenue . . . . .	<u>10,230,801</u>	<u>12,113,604</u>	<u>12,110,890</u>	<u>(2,714)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,784,646	5,448,338	5,405,977	42,361
Special. . . . .	679,895	774,205	687,850	86,355
Vocational. . . . .	146,434	166,746	165,428	1,318
Support services:				
Pupil. . . . .	477,226	543,423	533,322	10,101
Instructional staff . . . . .	389,972	444,066	421,104	22,962
Board of education . . . . .	91,899	104,647	87,127	17,520
Administration. . . . .	829,445	944,500	904,341	40,159
Fiscal . . . . .	327,106	372,480	345,741	26,739
Operations and maintenance. . . . .	1,949,402	2,219,809	2,039,820	179,989
Pupil transportation . . . . .	779,330	887,433	795,860	91,573
Central. . . . .	80,047	91,151	83,903	7,248
Extracurricular activities. . . . .	249,026	283,569	279,761	3,808
Facilities acquisition and construction. . . . .	33,822	38,514	37,492	1,022
Debt service:				
Interest and fiscal charges. . . . .	1,010	1,150	1,150	-
Total expenditures . . . . .	<u>10,819,260</u>	<u>12,320,031</u>	<u>11,788,876</u>	<u>531,155</u>
Excess of revenues over (under) expenditures. . . . .	<u>(588,459)</u>	<u>(206,427)</u>	<u>322,014</u>	<u>528,441</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	4,730	5,600	5,590	(10)
Transfers in. . . . .	493,966	584,872	584,872	-
Transfers (out) . . . . .	(581,073)	(661,674)	(661,674)	-
Sale of notes. . . . .	343,046	406,178	406,178	-
Sale of capital assets. . . . .	1,942	2,300	2,300	-
Total other financing sources (uses) . . . . .	<u>262,611</u>	<u>337,276</u>	<u>337,266</u>	<u>(10)</u>
Net change in fund balance . . . . .	(325,848)	130,849	659,280	528,431
<b>Fund balance at beginning of year. . . . .</b>	1,409,828	1,409,828	1,409,828	-
<b>Prior year encumbrances appropriated . . . . .</b>	171,776	171,776	171,776	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,255,756</u>	<u>\$ 1,712,453</u>	<u>\$ 2,240,884</u>	<u>\$ 528,431</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006

	<u>Private-Purpose Trusts</u>	
	<u>Scholarships</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 247,349	\$ 49,733
Total assets. . . . .	<u>247,349</u>	<u>\$ 49,733</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,605
Due to students . . . . .	<u>-</u>	<u>48,128</u>
Total liabilities . . . . .	<u>-</u>	<u>\$ 49,733</u>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	<u>247,349</u>	
Total net assets . . . . .	<u>\$ 247,349</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<b>Private-Purpose Trusts</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 7,496
Gifts and contributions. . . . .	46,073
	53,569
<b>Deductions:</b>	
Scholarships awarded . . . . .	22,326
Change in net assets . . . . .	31,243
<b>Net assets at beginning of year . . . . .</b>	<b>216,106</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 247,349</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Johnstown-Monroe Local School District (the "District") is located in Licking County in Johnstown, Ohio. The District was established in 1813 through the consolidation of existing land areas and school districts. The District currently serves an area of approximately 49 square miles and includes all of the Village of Johnstown and portions of Monroe, Liberty and Jersey Townships in Licking County and Harlem Township in Delaware County.

The District was organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 4 instructional buildings, 1 administrative building and 1 garage. The District employs 47 non-certified and 104 certified (including administrative) full-time and part-time employees to provide services to approximately 1,607 students in grades K through 12 and various community groups, which ranks it 347<sup>th</sup> out of 615 public school districts in Ohio.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

Licking Area Computer Association (LACA)

LACA is a jointly governed organization among 13 school districts. The organization was formed for the purpose of applying modern technology, with the aid of computers and other electronic equipment, to administrative and instructional functions among member districts. Each of the member districts support LACA based upon a per pupil charge, dependent upon services utilized. LACA is governed by a board of directors consisting of one superintendent or his/her designee from each of the participating members. The degree of control exercised by any participating district is limited to its representation on the Board. In the event of the dissolution of LACA, the participants will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contributions and likewise shall participate in proceeds from the sale of assets upon liquidation. In accordance with GASB statement No. 14, the District does not have an equity interest in LACA because the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. The Licking County Joint Vocational School District is the fiscal agent for LACA. Financial statements for LACA can be obtained from the Career and Technology Education Center of Licking County ("C-Tech") administrative offices at 150 Price Road, Newark, Ohio 43055.

Career and Technology Education Center of Licking County ("C-Tech")

C-Tech is a distinct political subdivision of the State of Ohio operated under the direction of a Board of Education consisting of one representative from each of the nine participating school districts' elected boards, which possesses its own budgeting and taxing authority. Financial statements can be obtained from C-Tech administrative offices at 150 Price Road, Newark, Ohio 43055.

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (the "GRP") was established through the Ohio School Boards Association as a group purchasing pool.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by fiduciary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The 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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

*Fund Financial Statements* - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Licking County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary comparison statements at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2006, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and non-negotiable 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 are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, food service fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$133,563 which includes \$13,109 assigned from other funds.

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

Governmental capital assets are those assets that are generally related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,200. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. There were no interfund receivables/payables at June 30, 2006.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves/Designations**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, property tax revenue unavailable for appropriation, textbooks and capital acquisition. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A portion of fund balance has been designated for budget stabilization.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Interfund Activity**

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**B. Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 6,258
Ohio Reads	16

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**A. Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$213,369, exclusive of the \$2,687,018 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2006, \$164,300 of the District’s bank balance of \$364,300 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

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

**B. Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase Agreement	\$ 2,687,018	\$ 2,687,018
STAR Ohio	<u>475,738</u>	<u>475,738</u>
	<u>\$ 3,162,756</u>	<u>\$ 3,162,756</u>

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

*Credit Risk:* Standard & Poor’s has assigned STAR Ohio and AAAM money market rating.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment company's counterparty, not in the name of the District.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 2,687,018	84.96
STAR Ohio	<u>475,738</u>	<u>15.04</u>
Total	<u>\$ 3,162,756</u>	<u>100.00</u>

**C. Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 213,369
Investments	<u>3,162,756</u>
Total	<u>\$ 3,376,125</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,079,043
Private-purpose trust funds	247,349
Agency fund	<u>49,733</u>
Total	<u>\$ 3,376,125</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Nonmajor governmental funds	\$ 76,802

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 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.

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 as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Licking County. The County Auditor periodically advances to the 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 tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$164,368 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$365,949 in the general fund.

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

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

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 168,564,430	92.29	\$ 208,266,270	94.04
Public utility personal	5,607,240	3.07	5,728,690	2.59
Tangible personal property	<u>8,484,016</u>	<u>4.64</u>	<u>7,488,978</u>	<u>3.37</u>
Total	<u>\$ 182,655,686</u>	<u>100.00</u>	<u>\$ 221,483,938</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 39.30		\$ 30.70	

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 5,165,541
Accounts	1,511
Accrued interest	5,269
Intergovernmental	<u>13,443</u>
Total	<u><u>\$ 5,185,764</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NOTE 8 - INCOME TAXES**

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2004 and is in effect for a period of five years, until December 31, 2008. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the state, and taxpayers are required to file an annual return. The state makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,794,280 for fiscal year 2006. Taxes receivable reported in the basic financial statements includes \$827,264 of income tax receivable.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,961	\$ -	\$ -	\$ 280,961
Total capital assets, not being depreciated	<u>280,961</u>	<u>-</u>	<u>-</u>	<u>280,961</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	891,407	-	-	891,407
Buildings and improvements	3,728,729	291,928	-	4,020,657
Furniture and equipment	3,045,769	77,872	(122,639)	3,001,002
Vehicles	343,602	-	(46,880)	296,722
Total capital assets, being depreciated	<u>8,009,507</u>	<u>369,800</u>	<u>(169,519)</u>	<u>8,209,788</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(658,726)	(29,603)	-	(688,329)
Buildings and improvements	(2,724,573)	(52,728)	-	(2,777,301)
Furniture and equipment	(2,057,962)	(127,644)	97,726	(2,087,880)
Vehicles	(311,594)	(15,661)	46,880	(280,375)
Total accumulated depreciation	<u>(5,752,855)</u>	<u>(225,636)</u>	<u>144,606</u>	<u>(5,833,885)</u>
Governmental activities capital assets, net	<u>\$ 2,537,613</u>	<u>\$ 144,164</u>	<u>\$ (24,913)</u>	<u>\$ 2,656,864</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 108,643
Special	4,070
Vocational	2,274
<u>Support Services:</u>	
Pupil	914
Instructional staff	10,863
Administration	17,588
Fiscal	2,353
Operations and maintenance	33,933
Pupil transportation	14,522
Operation of non-instructional services	247
Extracurricular activities	26,704
Food service operations	<u>3,525</u>
Total depreciation expense	<u>\$ 225,636</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE**

In prior fiscal years, the District entered into lease agreements for copier equipment, a telephone system, and a voice mail system. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers the benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$289,993. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$241,661, leaving a current book value of \$48,332. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2006 totaled \$41,981 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 35,100
Total minimum lease payments	35,100
Less amount representing interest	<u>(1,359)</u>
Total	<u>\$ 33,741</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. Energy conservation notes and general obligation bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. During fiscal year 2006, the District was approved for a new energy conservation note for \$733,154. \$406,178 in proceeds have been received as of June 30, 2006. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

The following is a description of the District's bonds and notes outstanding as of June 30, 2006.

	<u>Interest</u>	<u>Maturity</u>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>Date</u>	<u>Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u>	<u>Due in</u>
			<u>06/30/05</u>			<u>06/30/06</u>	<u>One Year</u>
<b>Governmental Activities:</b>							
Auditorium renovation	9.25%	12/01/05	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
Energy conservation note - 1999	4.90%	4/22/13	281,609	-	(29,533)	252,076	30,998
Energy conservation note - 2006	2.06%	1/27/16	<u>-</u>	<u>406,178</u>	<u>(27,677)</u>	<u>378,501</u>	<u>67,292</u>
Total long-term obligations, governmental activities			<u>\$ 356,609</u>	<u>\$ 406,178</u>	<u>\$ (132,210)</u>	<u>\$ 630,577</u>	<u>\$ 98,290</u>

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes is as follows:

Year Ending June 30	Principal on HB 264 Energy Conservation Notes	Interest on HB 264 Energy Conservation Notes	Total
2007	\$ 98,290	\$ 25,871	\$ 124,161
2008	101,191	22,970	124,161
2009	104,268	19,893	124,161
2010	107,418	16,743	124,161
2011	110,684	13,477	124,161
2012-2013	<u>108,726</u>	<u>24,618</u>	<u>133,344</u>
Total	<u>\$ 630,577</u>	<u>\$ 123,572</u>	<u>\$ 754,149</u>

- C.** During the fiscal year ended June 30, 2006, the following changes occurred in the District's long-term obligations. The general obligation bonds and the energy conservation notes are being paid out of the debt service fund. The capital lease is being retired from the general fund. Compensated absences will be paid from the fund from which the employee is paid.

	Balance Outstanding 06/30/05	Additions	Reductions	Balance Outstanding 06/30/06	Amounts Due in One Year
<b>Governmental Activities:</b>					
Compensated absences	\$ 765,319	\$ 71,634	\$ (72,924)	\$ 764,029	\$ 68,625
General obligation bonds	75,000	-	(75,000)	-	-
HB 264 energy conservation notes	281,609	406,178	(57,210)	630,577	98,290
Capital lease	<u>75,722</u>	<u>-</u>	<u>(41,981)</u>	<u>33,741</u>	<u>33,741</u>
Total long-term obligations, governmental activities	<u>\$ 1,197,650</u>	<u>\$ 477,812</u>	<u>\$ (247,115)</u>	<u>\$ 1,428,347</u>	<u>\$ 200,656</u>

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$19,936,716, an unvoted debt margin of \$221,484, and an energy conservation debt margin of \$1,362,778.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters.

During fiscal year 2006, the District contracted with various commercial insurance carriers for the following coverages:

<u>Type of Coverage</u>	<u>Deductible</u>	<u>Coverage Limitations</u>
Building and Contents - replacement cost	\$1,000	\$ 19,128,148
Vehicle Liability	500	2,000,000
Umbrella Liability	none	1,000,000
Uninsured Motorists	1,000	12,500/25,000
Crime	none	2,500/10,000
Boiler and Machinery	1,000	8,200,000
Electronic Equipment	100	233,214
General Liability:		
Per occurrence	none	2,000,000
Total per year		4,000,000
Errors and omissions		1,000,000

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

**B. Employee Health**

The District provides medical/surgical benefits insurance to its employees through United Health Care, a fully funded program. The District has elected to provide employee dental insurance through Comp Benefits, another fully funded program. The District provides life insurance and accidental death and dismemberment insurance to all employees through Unum Insurance Company.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 12 - RISK MANAGEMENT - (Continued)**

**C. Workers' Compensation**

For fiscal year 2006, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the 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 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.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$115,286, \$98,583, and \$75,850; 15.37 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$97,569 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

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

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

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$654,098, \$629,105 and \$605,178; 83.71 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$106,541 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$362 made by the District and \$16,852 made by the plan members.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$50,315 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS 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.

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, a decrease of 0.01 percent from 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 was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$52,761 to fund health care benefits, including the surcharge.

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 659,280
Net adjustment for revenue accruals	(289,397)
Net adjustment for expenditure accruals	(96,696)
Net adjustment for other sources/uses	(5,590)
Adjustment for encumbrances	<u>669,228</u>
GAAP basis	<u>\$ 936,825</u>

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (27,300)	\$ -
Current year set-aside requirement	222,409	222,409
Qualifying disbursements	<u>(185,003)</u>	<u>(167,575)</u>
 Total	 <u>\$ 10,106</u>	 <u>\$ 54,834</u>
 Cash balance carried forward to FY 2007	 <u>\$ 10,106</u>	 <u>\$ 54,834</u>

Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2006 was \$603,797.

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for textbooks	\$ 10,106
Amount restricted for capital acquisition	<u>54,834</u>
 Total restricted assets	 <u>\$ 64,940</u>

## **SUPPLEMENTAL DATA**

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A), (B) Food Donation	10.550	N/A	\$ -	\$ 25,168	\$ -	\$ 25,168
(A), (C) National School Lunch Program	10.555	049411-LLP4-2006	71,152	-	71,152	-
<b>Total U.S. Department of Agriculture and Nutrition Cluste</b>			<u>71,152</u>	<u>25,168</u>	<u>71,152</u>	<u>25,168</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agency:	84.010	049411-C1S1-2005	-	-	1,846	-
Title I Grants to Local Educational Agency:	84.010	049411-C1S1-2006	93,572	-	92,924	-
<b>Total Title I Grants to Local Educational Agencies</b>			<u>93,572</u>	<u>-</u>	<u>94,770</u>	<u>-</u>
Special Education Grants to States	84.027	049411-6BSD-2005	-	-	26,807	-
Special Education Grants to States	84.027	049411-6BSD-2006	295,011	-	283,820	-
<b>Total Special Education Grants to States</b>			<u>295,011</u>	<u>-</u>	<u>310,627</u>	<u>-</u>
Safe and Drug-Free Schools and Communities State Grant:	84.186	049411-DRS1-2006	5,119	-	3,838	-
<b>Total Safe and Drug-Free Schools and Communities State Grant:</b>			<u>5,119</u>	<u>-</u>	<u>3,838</u>	<u>-</u>
State Grants for Innovative Programs	84.298	049411-C2S1-2005	-	-	922	-
State Grants for Innovative Programs	84.298	049411-C2S1-2006	4,151	-	4,151	-
<b>Total State Grants for Innovative Programs</b>			<u>4,151</u>	<u>-</u>	<u>5,073</u>	<u>-</u>
Education Technology State Grants	84.318	049411-TJS1-2005	1,702	-	1,702	-
<b>Total Educational Technology State Grants</b>			<u>1,702</u>	<u>-</u>	<u>1,702</u>	<u>-</u>
Improving Teacher Quality State Grants:	84.367	049411-TRS1-2005	-	-	1,419	-
Improving Teacher Quality State Grants:	84.367	049411-TRS1-2006	46,516	-	46,516	-
<b>Total Improving Teacher Quality State Grants</b>			<u>46,516</u>	<u>-</u>	<u>47,935</u>	<u>-</u>
<b>Total U.S. Department of Education</b>			<u>446,071</u>	<u>-</u>	<u>463,945</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 517,223</u>	<u>\$ 25,168</u>	<u>\$ 535,097</u>	<u>\$ 25,168</u>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs  
(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices  
(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on first-in, first-out basis.  
(D) This schedule was prepared on the cash basis of accounting



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Board of Education  
Johnstown-Monroe Local School District  
441 S. Main Street  
Johnstown, Ohio 43031

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

Board of Education  
Johnstown-Monroe Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnstown-Monroe Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 14, 2006



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report On Compliance With Requirements Applicable to Its  
Major Program and on Internal Control Over Compliance in  
Accordance With *OMB Circular A-133***

Board of Education  
Johnstown-Monroe Local School District  
441 S. Main Street  
Johnstown, Ohio 43031

Compliance

We have audited the compliance of the Johnstown-Monroe School District, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2006. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Johnstown-Monroe School District's management. Our responsibility is to express an opinion on the Johnstown-Monroe 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, Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Johnstown-Monroe School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Johnstown-Monroe School District's compliance with those requirements.

In our opinion, Johnstown-Monroe School District's complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2006.

Board of Education  
Johnstown-Monroe School District

Internal Control Over Compliance

The management of Johnstown-Monroe School District 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 Johnstown-Monroe School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on 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 detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Julian & Grube, Inc.  
December 14, 2006

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Special Education - Grants to States; CFDA #84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT  
LICKING COUNTY, OHIO**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



**Mary Taylor, CPA**  
Auditor of State

**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT**

**LICKING 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  
MARCH 6, 2007**