



**Mary Taylor, CPA**  
Auditor of State



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Special Trust Funds, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

April 14, 2008

# Jackson City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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The discussion and analysis of the Jackson City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

### **Key financial highlights for the fiscal year 2007 are as follows:**

- Net assets of governmental activities increased \$2,629,146.
- General revenues accounted for \$21,683,580 in revenue or 60.16 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$14,359,437 or 39.84 percent of total revenues of \$36,043,017.
- The School District has six major funds, the General Fund, the Special Trust Special Revenue Fund, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds, and the Jones Trust Permanent Fund. The General Fund had \$19,422,075 in revenues and \$19,439,021 in expenditures. The General Fund's balance decreased \$206,952. The Special Trust Special Revenue Fund had \$410,525 in revenues and \$64,301 in expenditures. The Special Trust Special Revenue Fund's balance increased \$327,000. The Bond Retirement Debt Service Fund had \$1,281,447 in revenues and \$2,022,328 in expenditures. The Bond Retirement Debt Service Fund's balance decreased \$512,608. The Permanent Improvements Capital Projects Fund had \$954,294 in revenues and \$295,429 in expenditures. The Permanent Improvements Capital Project Fund's balance increased \$907,232. The Classroom Facilities Capital Projects Fund had \$7,449,317 in revenues and \$7,730,206 in expenditures. The Classroom Facilities Capital Project Fund's balance increased \$1,202,961. The Jones Trust Permanent Fund had \$796,820 in revenues and \$0 in expenditures. The Jones Trust Permanent Fund's balance increased \$796,820.
- At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$14,561,860, an increase of \$2,629,146 from the prior year.

## **USING THIS ANNUAL FINANCIAL REPORT**

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

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

### **Government-Wide Financial Statements**

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

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

# Jackson City School District, Ohio

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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



**Jackson City School District, Ohio**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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

Table 1 provides a summary of the School District's net assets – cash basis for 2007 compared to 2006:

**Table 1  
Net Assets - Cash Basis**

	Governmental Activities	
	2006	2007
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$11,932,714	\$14,561,860
<i>Total Assets</i>	<u>11,932,714</u>	<u>14,561,860</u>
<b>Net Assets</b>		
Restricted for:		
Endowments:		
Expendable	2,371,771	2,417,981
Non-Expendable	100,000	100,000
Other Purposes	2,808,484	3,086,883
Capital Projects	3,757,918	5,837,775
Debt Service	677,581	164,973
Unrestricted	<u>2,216,960</u>	<u>2,954,248</u>
<i>Total Net Assets</i>	<u>\$11,932,714</u>	<u>\$14,561,860</u>

As noted previously, net assets of governmental activities increased \$2,629,146, which represents a 22% increase from 2006. The primary reason for this increase was the increase the School District experienced in investment earnings, from \$722,606 in fiscal year 2006, to \$1,551,980 in fiscal year 2007, due to the improving investing climate, and the continuing Classroom Facilities Improvement Project. Total capital expenditures related to the construction project in fiscal year 2007 totaled \$7,673,484, while receipts for the State's portion of the project amounted to \$7,449,317 in grants and \$1,753,419 in loan proceeds.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007, and comparisons to fiscal year 2006.

# Jackson City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

**Table 2  
Changes in Net Assets**

Revenues	Governmental Activities		Change
	2007	2006	
Program Revenues:			
Charges for Services	\$1,366,938	\$1,512,510	(\$145,572)
Operating Grants, Contributions and Interest	4,829,761	3,972,321	857,440
Capital Grants, Contributions and Interest	8,162,738	1,049,774	7,112,964
	14,359,437	6,534,605	7,824,832
General Revenues:			
Property Taxes	6,758,975	6,653,552	105,423
Grants and Entitlements	12,872,851	13,019,957	(147,106)
Investment Earnings	289,966	71,618	218,348
Gifts and Donations	6,000	0	6,000
Miscellaneous	2,199	1,710	489
Proceeds of Loans	1,753,419	0	1,753,419
Proceeds of Refunding Bonds	0	10,445,000	(10,445,000)
Premium on Refunding Bonds	0	1,044,509	(1,044,509)
Proceeds from Sale of Capital Assets	170	460,290	(460,120)
	21,683,580	31,696,636	(10,013,056)
Total Revenues	36,043,017	38,231,241	(2,188,224)
<b>Program Expenses</b>			
Instruction:			
Regular	10,865,917	10,443,752	(422,165)
Special	2,874,849	2,586,818	(288,031)
Vocational	132,908	127,058	(5,850)
Support Services:			
Pupils	578,114	635,745	57,631
Instructional Staff	720,750	656,848	(63,902)
Board of Education	213,399	174,934	(38,465)
Administration	1,715,144	1,661,261	(53,883)
Fiscal	752,392	679,317	(73,075)
Business	77,510	73,352	(4,158)
Operation and Maintenance of Plant	2,732,045	2,985,209	253,164
Pupil Transportation	1,143,961	1,328,206	184,245
Central	36,196	22,366	(13,830)
Operation of Non-Instructional Services:			
Food Service Operations	1,118,424	1,008,838	(109,586)
Community Services	9,624	12,564	2,940
Extracurricular Activities	740,921	742,597	1,676
Capital Outlay	7,712,477	9,200,281	1,487,804
Debt Service:			
Principal Retirement	1,275,684	865,000	(410,684)
Payment to Bondholders	0	11,312,028	11,312,028
Interest and Fiscal Charges	713,556	628,626	(84,930)
Issuance Costs	0	174,688	174,688
Total Expenses	33,413,871	45,319,488	11,905,617
Increase (Decrease) in Net Assets	2,629,146	(7,088,247)	9,717,393
Net Assets at Beginning of Year	11,932,714	19,020,961	(7,088,247)
Net Assets at End of Year	\$14,561,860	\$11,932,714	\$2,629,146

## Jackson City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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### **Governmental Activities**

Program receipts, charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program, accounted for 39.84 percent of total receipts for governmental activities in fiscal year 2007, therefore, the programs offered by the School District are primarily financed through general receipts. General revenues are primarily composed of property taxes, grants and entitlements not restricted for a particular program, and receipts from an Ohio School Facilities Hardship Loan.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase in tax revenue. Property taxes made up 18.75 percent of revenues for governmental activities for the School District in 2007.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 90.54 percent of total general revenue. Grants and entitlements, alone, represent 59.37 percent of general revenues. Interest income, gifts and donations, miscellaneous revenues, debt proceeds, and proceeds from the sale of capital assets account for the remaining 9.46 percent.

Though net assets of the School District experienced a sizable increase in fiscal year 2007, the economic pressures placed upon the School District due to ever changing academic requirements should not be underestimated. Instructional services of \$13,873,674, and support services of \$7,969,511, accounted for 65.37 percent of total disbursements. The remaining 34.63 percent of program disbursements are for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, capital outlay, and debt service.

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

# Jackson City School District, Ohio

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited

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

	2007 Total Cost of Services	2007 Net Cost of Services	2006 Total Cost of Services	2006 Net Cost of Services
<b>Program Expenses</b>				
Instruction:				
Regular	\$10,865,917	\$8,214,760	\$10,443,752	\$8,637,215
Special	2,874,849	765,428	2,586,818	494,080
Vocational	132,908	128,307	127,058	123,113
Support Services:				
Pupil	578,114	555,620	635,745	618,058
Instructional Staff	720,750	711,553	656,848	632,551
Board of Education	213,399	213,399	174,934	174,934
Administration	1,715,144	1,669,922	1,661,261	1,505,097
Fiscal	752,392	722,132	679,317	549,859
Business	77,510	77,510	73,352	73,352
Operation and Maintenance of Plant	2,732,045	2,621,442	2,985,209	2,606,756
Pupil Transportation	1,143,961	1,112,275	1,328,206	1,299,927
Central	36,196	36,196	22,366	22,366
Operation of Non-Instructional Services:				
Food Service Operations	1,118,424	12,910	1,008,838	(72,402)
Community Services	9,624	(1,194)	12,564	548
Extracurricular Activities	740,921	(38,399)	742,597	(3,453)
Capital Outlay	7,712,477	263,333	9,200,281	9,142,540
Debt Service:				
Principal Payment	1,275,684	1,275,684	865,000	865,000
Payment to Bondholders	0	0	11,312,028	11,312,028
Interest and Fiscal Charges	713,556	713,556	628,626	628,626
Issuance Costs	0	0	174,688	174,688
Totals	<u>\$33,413,871</u>	<u>\$19,054,434</u>	<u>\$45,319,488</u>	<u>\$38,784,883</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2007, 65.65 percent of all instructional activities are supported through taxes and other general revenues.

## THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$34,289,428 and disbursements of \$33,413,871.

### **General Fund and Major Special Revenue Fund Budgeting Highlights**

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

During the course of fiscal 2007, the School District amended its General Fund and Special Trust Fund budgets, but not significantly. The School District uses a site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

# Jackson City School District, Ohio

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

For the General Fund, budget basis revenues were \$19,422,075, above final estimates of \$19,380,524. The difference was due to conservative estimates. Final estimated revenues were below original estimated revenues of \$19,390,743. Expenditures of \$19,610,029 were lower than final appropriations of \$19,611,399. The School District's ending unobligated general fund balance was \$1,839,001.

For the Special Trust Special Revenue Fund, final budget basis revenues were \$410,525, above final estimates of \$375,890. Final estimated revenues were the same as original budget basis revenue estimates. Final budget basis expenditures of \$64,301 were the same as the final appropriations. The School District's ending unobligated Special Trust Special Revenue Fund balance was \$1,623,872.

## DEBT ADMINISTRATION

At June 30, 2007, the School District had Classroom Facilities Assistance Bonds outstanding of \$13,075,020, a Classroom Facility Tax Anticipation Note in the amount of \$1,910,000, a Lease-Purchase Agreement for the School District's Alumni Stadium in the amount of \$2,240,000, and a Ohio School Facilities Commission Loan in the amount of \$1,402,735.

**Table 5  
Outstanding Debt, at Fiscal Year End**

	Governmental Activities	
	2006	2005
2001 Classroom Facilities Assistance Bonds:		
Serial	\$1,820,000	\$2,110,000
Capital Appreciation	174,058	174,058
Accretion on Capital Appreciation	366,309	273,337
2005 Classroom Facilities Refunding Bonds:		
Serial	7,555,000	7,555,000
Term	2,475,000	2,475,000
Capital Appreciation	415,000	415,000
Accretion on Capital Appreciation	107,604	42,419
Bond Amortization of Premium	953,683	999,096
Deferred Amount on Refunding	(791,634)	(829,331)
2001 Classroom Facilities Tax Anticipation Note	1,910,000	2,225,000
2004 Alumni Stadium Lease - Purchase	2,240,000	2,560,000
2007 OSFC Hardship Loan	1,402,735	0
Totals	<u>\$18,627,755</u>	<u>\$17,999,579</u>

On February 23, 2007, the School District entered into a loan agreement with the Ohio School Facilities Commission for a no-interest \$1,753,419 hardship loan to be used for the constructing, renovating and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The loan is backed by the full faith and credit of the School District.

For additional information on debt, see Note 11 to the basic financial statements.

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

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007  
Unaudited*

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### **CURRENT ISSUES**

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

Externally, the School District is largely dependent on State and Federal funding sources (nearly 67 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, recent property tax revaluations has reduced the School District's funding from the State Foundation charge off supplement and has served to somewhat offset the other increases in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher insurance costs, and State budget cuts in education).

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

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

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

**Jackson City School District, Ohio**  
*Statement of Net Assets - Cash Basis, Primary Government and  
Center for Student Achievement*  
June 30, 2007

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Center for Student Achievement
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$14,561,860	\$168,648
<i>Total Assets</i>	<u>\$14,561,860</u>	<u>\$168,648</u>
<b>Net Assets</b>		
Restricted for:		
Endowments		
Expendable	\$2,417,981	\$0
Non-Expendable	100,000	0
Other Purposes	3,086,883	0
Capital Projects	5,837,775	0
Debt Service	164,973	0
Unrestricted	<u>2,954,248</u>	<u>168,648</u>
<i>Total Net Assets</i>	<u>\$14,561,860</u>	<u>\$168,648</u>

See accompanying notes to the basic financial statements

**Jackson City School District, Ohio**  
*Statement of Activities - Cash Basis*  
For the Fiscal Year Ended June, 30, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	Component Unit
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Center for Student Achievement
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$10,865,917	\$580,708	\$1,866,846	\$203,603	(\$8,214,760)	\$0
Special	2,874,849	34,371	2,075,050	0	(765,428)	0
Vocational	132,908	1,123	3,478	0	(128,307)	0
Support Services:						
Pupils	578,114	0	22,494	0	(555,620)	0
Instructional Staff	720,750	0	9,197	0	(711,553)	0
Board of Education	213,399	0	0	0	(213,399)	0
Administration	1,715,144	0	45,222	0	(1,669,922)	0
Fiscal	752,392	0	0	30,260	(722,132)	0
Business	77,510	0	0	0	(77,510)	0
Operation and Maintenance of Plant	2,732,045	706	0	109,897	(2,621,442)	0
Pupil Transportation	1,143,961	0	1,910	29,776	(1,112,275)	0
Central	36,196	0	0	0	(36,196)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,118,424	541,907	563,607	0	(12,910)	0
Community Services	9,624	2,727	8,091	0	1,194	0
Extracurricular Activities	740,921	205,396	233,866	340,058	38,399	0
Capital Outlay	7,712,477	0	0	7,449,144	(263,333)	0
Debt Service:						
Principal Payment	1,275,684	0	0	0	(1,275,684)	0
Interest and Fiscal Charges	713,556	0	0	0	(713,556)	0
<b>Total Governmental Activities</b>	<b>33,413,871</b>	<b>1,366,938</b>	<b>4,829,761</b>	<b>8,162,738</b>	<b>(19,054,434)</b>	<b>0</b>
<b>Component Unit:</b>						
Center for Student Achievement	\$285,695	\$0	\$382,251	\$0	0	96,556
<b>General Revenues:</b>						
Property Taxes Levied for:						
General Purposes					4,974,821	0
Debt Service					1,157,443	0
Capital Improvements					502,320	0
Other Purposes					124,391	0
Grants and Entitlements not Restricted to Specific Programs					12,872,851	0
Investment Earnings					289,966	0
Gifts and Donations					6,000	0
Miscellaneous					2,199	0
Proceeds of Loans					1,753,419	0
Proceeds from Sale of Capital Assets					170	0
<b>Total General Revenues</b>					<b>21,683,580</b>	<b>0</b>
<b>Change in Net Assets</b>					<b>2,629,146</b>	<b>96,556</b>
<b>Net Assets at Beginning of Year</b>					<b>11,932,714</b>	<b>72,092</b>
<b>Net Assets at End of Year</b>					<b>\$14,561,860</b>	<b>\$168,648</b>

See accompanying notes to the basic financial statements



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**Jackson City School District, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2007*

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	General	Special Trust	Bond Retirement	Permanent Improvements
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,010,008</u>	<u>\$1,623,872</u>	<u>\$164,973</u>	<u>\$4,634,814</u>
 <b>Fund Balances</b>				
Reserved for Encumbrances	\$171,007	\$0	\$0	\$357,294
Unreserved, Undesignated, Reported in:				
General Fund	1,839,001	0	0	0
Special Revenue Funds	0	1,623,872	0	0
Debt Service Fund	0	0	164,973	0
Capital Projects Funds	0	0	0	4,277,520
Permanent Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <i>Total Liabilities and Fund Balances</i>	 <u><u>\$2,010,008</u></u>	 <u><u>\$1,623,872</u></u>	 <u><u>\$164,973</u></u>	 <u><u>\$4,634,814</u></u>

See accompanying notes to the basic financial statements

<u>Classroom Facilities</u>	<u>Jones Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$1,202,961</u>	<u>\$2,662,550</u>	<u>\$2,262,682</u>	<u>\$14,561,860</u>
\$933,531	\$0	\$22,835	\$1,484,667
0	0	0	1,839,001
0	0	1,440,176	3,064,048
0	0	0	164,973
269,430	0	0	4,546,950
<u>0</u>	<u>2,662,550</u>	<u>799,671</u>	<u>3,462,221</u>
<u>\$1,202,961</u>	<u>\$2,662,550</u>	<u>\$2,262,682</u>	<u>\$14,561,860</u>

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and  
 Changes in Cash Basis Fund Balances  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2007*

	General	Special Trust	Bond Retirement	Permanent Improvements
<b>Revenues</b>				
Property Taxes	\$4,974,821	\$0	\$1,157,443	\$502,320
Intergovernmental	13,556,167	0	124,004	68,952
Investment Earnings	289,966	77,942	0	383,022
Tuition and Fees	587,136	270	0	0
Rent	706	7,000	0	0
Charges for Services	0	0	0	0
Donations	6,000	21,500	0	0
Extracurricular	3,601	302,953	0	0
Miscellaneous	3,678	860	0	0
<b>Total Revenues</b>	<b>19,422,075</b>	<b>410,525</b>	<b>1,281,447</b>	<b>954,294</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	9,680,492	24,055	0	157,041
Special	1,511,638	158	0	0
Vocational	132,908	0	0	0
Support Services:				
Pupils	556,157	0	0	0
Instructional Staff	701,858	0	0	0
Board of Education	213,399	0	0	0
Administration	1,668,753	1,138	0	0
Fiscal	692,545	0	33,088	23,340
Business	66,932	0	0	0
Operation and Maintenance of Plant	2,595,994	0	0	45,870
Pupil Transportation	1,143,961	0	0	0
Central	5,860	0	0	0
Operation of Non-Instructional Services:				
Food Service Operations	0	0	0	0
Community Services	0	6,675	0	0
Extracurricular Activities	468,524	32,275	0	30,185
Capital Outlay	0	0	0	38,993
Debt Service:				
Principal Retirement	0	0	1,275,684	0
Interest and Fiscal Charges	0	0	713,556	0
<b>Total Expenditures</b>	<b>19,439,021</b>	<b>64,301</b>	<b>2,022,328</b>	<b>295,429</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(16,946)</b>	<b>346,224</b>	<b>(740,881)</b>	<b>658,865</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Loans	0	0	0	0
Proceeds of Sale from Capital Asset	170	0	0	0
Transfers In	0	0	660,384	248,367
Advances In	1,057,450	0	351,825	0
Transfers Out	(895,801)	(19,224)	0	0
Advances Out	(351,825)	0	(783,936)	0
<b>Total Other Financing Sources (Uses)</b>	<b>(190,006)</b>	<b>(19,224)</b>	<b>228,273</b>	<b>248,367</b>
<b>Net Change in Fund Balance</b>	<b>(206,952)</b>	<b>327,000</b>	<b>(512,608)</b>	<b>907,232</b>
<b>Fund Balances at Beginning of Year</b>	<b>2,216,960</b>	<b>1,296,872</b>	<b>677,581</b>	<b>3,727,582</b>
<b>Fund Balances at End of Year</b>	<b>\$2,010,008</b>	<b>\$1,623,872</b>	<b>\$164,973</b>	<b>\$4,634,814</b>

See accompanying notes to the basic financial statements

Classroom Facilities	Jones Trust	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$124,391	\$6,758,975
7,449,017	0	2,885,444	24,083,584
0	768,727	32,323	1,551,980
0	0	23,523	610,929
0	0	0	7,706
0	0	541,907	541,907
0	28,093	0	55,593
0	0	367,362	673,916
300	0	0	4,838
<u>7,449,317</u>	<u>796,820</u>	<u>3,974,950</u>	<u>34,289,428</u>
0	0	1,004,329	10,865,917
0	0	1,363,053	2,874,849
0	0	0	132,908
0	0	21,957	578,114
0	0	18,892	720,750
0	0	0	213,399
0	0	45,253	1,715,144
3,419	0	0	752,392
0	0	10,578	77,510
53,303	0	36,878	2,732,045
0	0	0	1,143,961
0	0	30,336	36,196
0	0	1,118,424	1,118,424
0	0	2,949	9,624
0	0	209,937	740,921
7,673,484	0	0	7,712,477
0	0	0	1,275,684
0	0	0	713,556
<u>7,730,206</u>	<u>0</u>	<u>3,862,586</u>	<u>33,413,871</u>
<u>(280,889)</u>	<u>796,820</u>	<u>112,364</u>	<u>875,557</u>
1,753,419	0	0	1,753,419
0	0	0	170
0	0	6,274	915,025
0	0	874	1,410,149
0	0	0	(915,025)
<u>(269,569)</u>	<u>0</u>	<u>(4,819)</u>	<u>(1,410,149)</u>
<u>1,483,850</u>	<u>0</u>	<u>2,329</u>	<u>1,753,589</u>
1,202,961	796,820	114,693	2,629,146
0	1,865,730	2,147,989	11,932,714
<u>\$1,202,961</u>	<u>\$2,662,550</u>	<u>\$2,262,682</u>	<u>\$14,561,860</u>

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$4,863,214	\$4,974,821	\$4,974,821	\$0
Intergovernmental	13,808,062	13,556,165	13,556,167	2
Investment Earnings	71,428	247,251	289,966	42,715
Tuition and Fees	637,001	588,152	587,136	(1,016)
Rent	3,095	706	706	0
Donations	0	6,000	6,000	0
Extracurricular	2,803	3,601	3,601	0
Miscellaneous	5,140	3,828	3,678	(150)
<i>Total Revenues</i>	<u>19,390,743</u>	<u>19,380,524</u>	<u>19,422,075</u>	<u>41,551</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,731,180	9,738,801	9,736,460	2,341
Special	1,306,916	1,521,201	1,521,201	0
Vocational	133,566	133,150	133,150	0
Support Services:				
Pupils	651,072	560,226	560,226	0
Instructional Staff	672,884	707,988	707,987	1
Board of Education	194,688	213,399	213,399	0
Administration	1,571,778	1,675,014	1,675,014	0
Fiscal	660,080	710,710	711,683	(973)
Business	67,072	66,932	66,932	0
Operation and Maintenance of Plant	2,770,826	2,596,649	2,596,647	2
Pupil Transportation	1,405,809	1,148,309	1,148,309	0
Central	24,916	70,443	70,443	0
Extracurricular Activities	435,241	468,577	468,577	0
Debt Service:				
Principal	641,200	0	0	0
Interest	104,260	0	0	0
<i>Total Expenditures</i>	<u>21,371,488</u>	<u>19,611,399</u>	<u>19,610,028</u>	<u>1,371</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,980,745)</u>	<u>(230,875)</u>	<u>(187,953)</u>	<u>42,922</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	40,290	170	170	0
Transfers In	15,636	0	0	0
Advances In	717,961	783,936	1,057,450	273,514
Transfers Out	(1,715,000)	(895,800)	(895,801)	(1)
Advances Out	(549,000)	(351,825)	(351,825)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,490,113)</u>	<u>(463,519)</u>	<u>(190,006)</u>	<u>273,513</u>
<i>Net Change in Fund Balance</i>	<u>(3,470,858)</u>	<u>(694,394)</u>	<u>(377,959)</u>	<u>316,435</u>
<i>Fund Balance at Beginning of Year</i>	<u>2,067,494</u>	<u>2,067,494</u>	<u>2,067,494</u>	<u>0</u>
Prior Year Encumbrances Appropriated	149,466	149,466	149,466	0
<i>Fund Balance at End of Year</i>	<u>(\$1,253,898)</u>	<u>\$1,522,566</u>	<u>\$1,839,001</u>	<u>\$316,435</u>

See accompanying notes to the basic financial statements

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements, and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
Special Trust  
For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment Earnings	\$0	\$71,507	\$77,942	\$6,435
Tuition and Fees	838	270	270	0
Rent	3,273	7,000	7,000	0
Extracurricular	318,666	274,753	302,953	28,200
Gifts and Donations	45,520	21,500	21,500	0
Miscellaneous	7,593	860	860	0
<i>Total Revenues</i>	<u>375,890</u>	<u>375,890</u>	<u>410,525</u>	<u>34,635</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	30,366	24,055	24,055	0
Special	0	158	158	0
Support Services:				
Administration	15,546	1,138	1,138	0
Operation of Non-Instructional Services:				
Community Services	9,232	6,675	6,675	0
Extracurricular Activities	3,856	32,275	32,275	0
<i>Total Expenditures</i>	<u>59,000</u>	<u>64,301</u>	<u>64,301</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>316,890</u>	<u>311,589</u>	<u>346,224</u>	<u>34,635</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(51,694)	(19,224)	(19,224)	0
<i>Net Change in Fund Balance</i>	<u>265,196</u>	<u>292,365</u>	<u>327,000</u>	<u>34,635</u>
<i>Fund Balance at Beginning of Year</i>	<u>1,294,841</u>	<u>1,294,841</u>	<u>1,294,841</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>2,031</u>	<u>2,031</u>	<u>2,031</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$1,562,068</u></u>	<u><u>\$1,589,237</u></u>	<u><u>\$1,623,872</u></u>	<u><u>\$34,635</u></u>

See accompanying notes to the basic financial statements

**Jackson City School District, Ohio**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2007*

	Private-Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,194,579</u>	<u>\$75,257</u>
<b>Net Assets</b>		
Endowments	\$410,213	\$0
Held in Trust for Scholarships	784,366	0
Restricted for Students	<u>0</u>	<u>75,257</u>
	<u>\$1,194,579</u>	<u>\$75,257</u>

See accompanying notes to the basic financial statements



**Jackson City School District, Ohio**  
*Statement of Changes in Fiduciary Net Assets -  
Cash Basis  
Private-Purpose Trust Funds  
June 30, 2007*

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<b>Additions</b>	
Investment Earnings	\$58,565
Gifts and Donations	2,105
Miscellaneous	<u>4,600</u>
<i>Total Additions</i>	65,270
<b>Deductions</b>	
Scholarships	<u>39,475</u>
<i>Change in Net Assets</i>	25,795
<i>Net Assets Beginning of Year</i>	<u>1,168,784</u>
Net Assets End of Year	<u><u>\$1,194,579</u></u>

See accompanying notes to the basic financial statements

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# Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

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

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 110 classified employees and 193 certified teaching and administrative personnel who provide services to 2,818 students and other community members.

### ***Reporting Entity***

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

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

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

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

The School District participates in the Metropolitan Education Council, the Gallia-Jackson-Vinton Joint Vocational School District, the Coalition and Rural and Appalachian Schools, and the South Eastern Ohio Special Education Regional Resource Center, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program and the Ohio School Plan which are defined as insurance purchasing pools. These organizations are presented in Notes 12 and 13.

# Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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## Note 2 - Summary of Significant Accounting Policies

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

### A. Basis of Presentation

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

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

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

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

### B. Fund Accounting

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

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

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

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

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

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

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

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

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

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

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

### **C. Basis of Accounting**

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

### ***D. Cash and Cash Equivalents***

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

During 2007, investments were limited to STAROhio and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2007.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$289,966.

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

### ***E. Restricted Assets***

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

### ***F. Inventory and Prepaid Items***

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

### ***G. Capital Assets***

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

### ***H. Interfund Receivables/Payables***

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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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### ***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

### ***J. Employer Contributions to Cost-Sharing Pension Plans***

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

### ***K. Long-term Obligations***

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

### ***L. Net Assets***

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursements for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets – cash basis reports \$11,607,612 of restricted net assets, none of which is restricted by enabling legislation.

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

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

### ***N. Interfund Transactions***

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

# Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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## Note 3 – Compliance

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

## Note 4 - Budgetary Basis of Accounting

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

General Fund	\$171,007
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## Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;



## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in Division (1) or (2) of Ohio Rev. Code Section 135.18;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if trading requirements have been met.

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

### **Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,772,848 of the School District's bank balance of \$7,147,590 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

**Investments** As of June 30, 2007, the School District's investment in STAROhio had an average maturity of forty-one days and a fair value of \$9,022,349.

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

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

### **Note 6 - Property Taxes**

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

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

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2007 taxes were collected are:

**Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

	2006 Second Half Collections		2007 First Half Collections	
Real Property	\$231,138,510	84.24%	\$231,333,880	86.01%
Public Utility Tangible Personal Property	29,640,165	10.80%	24,388,536	9.07%
Tangible Personal Property	13,602,850	4.96%	13,230,900	4.92%
<b>Total</b>	<b>\$274,381,525</b>	<b>100.00%</b>	<b>\$268,953,316</b>	<b>100.00%</b>
Tax Rate per \$1,000 of Assessed Valuation		\$30.07		\$30.57

**Note 7 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2007, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 13).

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

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$85,669,907
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Products - Completed Operations Aggregate Limit	0	1,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	500,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	2,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	3,000,000
Hazardous Substances	0	250,000
CFC Refrigeration	0	250,000
Spoilage	0	250,000
Vehicles:		
Bodily Injury:		
Per Person	0	4,000,000
Per Accident	0	4,000,000
Property Damage	0	4,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2006.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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 8 – Defined Benefit Pension Plans**

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$340,936, \$429,303, and \$333,631, respectively; 47.49 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

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

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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 School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005, were \$1,371,653, \$1,338,885, and \$1,229,049 respectively; 82.63 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$2,081 made by the School District and \$10,611 made by the plan members.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, all members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **Note 9 - Postemployment Benefits**

The School 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, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$105,512 for fiscal year 2007.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, (the latest information available) the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$171,404.

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, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

### **Note 10 - Employee Benefits**

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

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. There is no limit to sick leave accrual. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 62.5 days for classified employees.

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

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

Health, vision, and dental insurance is provided by United Healthcare. Monthly premiums for this coverage are \$844.61 for family plans and \$307.13 for single plans. The School District pays 100 percent for both family and single coverage premiums.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

### Note 11 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<b>Governmental Activities:</b>					
2007 0% Ohio School Facilities					
Hardship Loan	\$0	\$1,753,419	\$350,684	\$1,402,735	\$350,684
2001 3.25-5.50% Classroom					
Facilities General Obligation					
Bonds					
Serial Bonds	2,110,000	0	290,000	1,820,000	315,000
Term Bonds	0	0	0	0	0
Capital Appreciation	174,058	0	0	174,058	0
Accretion on Capital					
Appreciation Bonds	273,337	92,972	0	366,309	0
2005 3.25-4.75% Classroom					
Facilities Refunding Bonds					
Serial Bonds	7,555,000	0	0	7,555,000	0
Term Bonds	2,475,000	0	0	2,475,000	0
Capital Appreciation	415,000	0	0	415,000	0
Accretion on Capital					
Appreciation Bonds	42,419	65,185	0	107,604	0
Deferred Amount on Refunding	(829,331)	0	(37,697)	(791,634)	0
Serial Bond Premium	999,096	0	45,413	953,683	0
2001 4.20 to 4.75% Classroom					
Facilities Tax Anticipation Notes	2,225,000	0	315,000	1,910,000	335,000
2004 3.25% Alumni Stadium					
Lease-Purchase Agreement	2,560,000	0	320,000	2,240,000	320,000
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$17,999,579</u>	<u>\$1,911,576</u>	<u>\$1,283,400</u>	<u>\$18,627,755</u>	<u>\$1,320,684</u>

**2007 Ohio Schools Facilities Commission Hardship Loan** On February 23, 2007, the School District issued a no interest, \$1,753,419 loan for the constructing, renovating and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The loan is backed by the full faith and credit of the School District.

Principal and interest requirements to retire the Ohio School Facilities Commission Hardship Loan outstanding at June 30, 2007, are as follows:



## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
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Fiscal Year Ending June 30,	Principal
2008	\$350,684
2009	350,684
2010	350,684
2011	350,683
	\$1,402,735

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

Principal and interest requirements to retire the Classroom Facilities General Obligation Bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Serial Bond Principal	Serial Bond Interest	Capital Appreciation Bond Principal	Capital Appreciation Bond Interest
2008	\$315,000	\$114,373	\$0	\$0
2009	330,000	101,615	0	0
2010	365,000	87,755	0	0
2011	390,000	72,060	0	0
2012	420,000	54,900	0	0
2013 - 2016	0	0	174,058	4,072,892
	\$1,820,000	\$430,703	\$174,058	\$4,072,892

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

The capital appreciation bonds, issued at \$174,058, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2013 to December 1, 2016. The maturity amounts of the capital appreciation bonds are \$480,000, \$490,000, \$500,000, and \$525,000. Accretion on the capital appreciation bonds at June 30, 2007 is \$366,309.

**2005 Classroom Facilities Refunding Bonds** On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds to partially retire \$12,979,058 of outstanding Classroom Facilities General Obligation Bonds. \$11,312,028 was paid to the bondholders to partially retire the 2001 general obligation bonds. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$867,028. The School District decreased its total debt service payments by \$401,708 as a result of the current refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$385,165.

## Jackson City School District, Ohio

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

The refunding bonds issued included serial and term bonds in the amount of \$7,970,000 and \$2,475,000, respectively. The bonds are being retired from the Bond Retirement Debt Service Fund. The refunding bonds were sold at a premium of \$1,044,509, with issuance costs associated with the refunding bonds at \$144,688. Principal and interest requirements to retire the Classroom Facilities Refunding General Obligation Bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Serial		Term	
	Principal	Interest	Principal	Interest
2008	\$55,000	\$450,344	\$0	\$0
2009	110,000	447,663	0	0
2010	115,000	444,006	0	0
2011	120,000	440,038	0	0
2012	120,000	435,838	0	0
2013 - 2017	395,000	1,584,382	0	0
2018 - 2022	2,545,000	1,904,626	0	0
2023 - 2027	4,095,000	827,469	1,195,000	79,794
2028	0	0	1,280,000	27,200
	<u>\$7,555,000</u>	<u>\$6,534,366</u>	<u>\$2,475,000</u>	<u>\$106,994</u>

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

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

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

The capital appreciation bonds, issued at \$415,000, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2016 to December 1, 2018. The maturity amounts of the capital appreciation bonds are \$680,000, \$690,000, and \$740,000. Accretion on the capital appreciation bonds at June 30, 2007 is \$107,604.

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

Principal and interest requirements to retire the Classroom Facilities Tax Anticipation Notes outstanding at June 30, 2007, are as follows:

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$335,000	\$88,240	\$423,240
2009	355,000	73,333	428,333
2010	380,000	57,180	437,180
2011	400,000	39,700	439,700
2012	440,000	20,900	460,900
	<u>\$1,910,000</u>	<u>\$279,353</u>	<u>\$2,189,353</u>

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

Principal and interest requirements to retire the Alumni Stadium Lease-Purchase Agreement outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$320,000	\$72,800	\$392,800
2009	320,000	62,400	382,400
2010	320,000	52,000	372,000
2011	320,000	41,600	361,600
2012	320,000	31,200	351,200
2013 - 2014	640,000	31,200	671,200
	<u>\$2,240,000</u>	<u>\$291,200</u>	<u>\$2,531,200</u>

The School District's overall legal debt margin was \$8,926,532, with an unvoted debt margin of \$2,426,287 at June 30, 2007.

### Note 12 - Jointly Governed Organizations

#### A. Metropolitan Education Council

The Metropolitan Education Council (MEC) was created as a regional council of governments pursuant to State statutes. MEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. MEC has 170 participants consisting of school districts, libraries, and related organizations. MEC is governed by a board consisting of one representative of each school district in Franklin County and one representative from each county other than Franklin which has MEC members. MEC possesses its own budgeting and taxing authority. The School District paid MEC \$60,156 for services provided during the fiscal year. To obtain financial information write to the Metropolitan Education Council, Susan K. Ward, Fiscal Officer, at 2100 City Gate Drive, Columbus, Ohio 43219.

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

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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

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

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

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2007.

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

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

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

## **Note 13 - Insurance Purchasing Pools**

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

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

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

### B. Ohio School Plan

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

#### Note 14 – Contractual Commitments

As of June 30, 2007, the School District had contractual purchase commitments for the completion of construction of three new elementary schools, a middle school, a high school, and demolition costs related to each as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/07
High School	Classroom Facilities Capital Projects Fund	\$301,945	\$291,821	\$10,124
Middle School	Classroom Facilities Capital Projects Fund	6,474,089	6,338,056	136,033
Westview Elementary School	Classroom Facilities Capital Projects Fund	283,459	277,663	5,796
Southview Elementary School	Classroom Facilities Capital Projects Fund	150,946	146,067	4,879
Northview Elementary School	Classroom Facilities Capital Projects Fund	8,615,083	7,930,646	684,437
Total		<u>\$15,825,522</u>	<u>\$14,984,253</u>	<u>\$841,269</u>

**Jackson City School District, Ohio**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

**Note 15 - Interfund Activity and Balances**

**A. Transfers**

<b>Transfer to</b>	<b>Transfer from</b>		
	General	Special Trust	Totals
Bond Retirement	\$660,384	\$0	\$660,384
Permanent Improvements	229,143	19,224	248,367
Other Nonmajor Governmental	6,274	0	6,274
<b>Total All Funds</b>	<b>\$895,801</b>	<b>\$19,224</b>	<b>\$915,025</b>

The transfers were used to move revenues from the fund that statute or budget requires collect them to the fund that statute or budget requires to spend them; to use unrestricted revenue collected in the General Fund to Bond Retirement Debt Service Fund to be used for debt service payments, and to the Permaent Improvements Capital Projects fund to be used for the construction and renovation of the School District's facilities.

**B. Interfund Balances**

Unpaid interfund cash balances at June 30, 2007, were as follows:

	Interfund Receivables	Interfund Payables
<b>General Fund</b>	\$351,825	\$0
<b>Debt Service Fund:</b>		
Bond Retirement	0	351,825
<b>Total All Funds</b>	<b>\$351,825</b>	<b>\$351,825</b>

The advance to the Bond Retirement Debt Service Fund was made for the School District's debt service requirements. All of these amounts are expected to be repaid within one year.

**Note 16 - Contingencies**

**A. Grants**

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

### B. Litigation

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

### Note 17 - Set-Aside Calculations

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

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

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of as of June 30, 2006	(\$496,814)	\$0
Current Year Set-Aside Requirement	418,136	418,136
Current Year Offsets	0	(626,711)
Qualifying Disbursements	(503,016)	0
Totals	<u>(\$581,694)</u>	<u>(\$208,575)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$581,694)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2007	<u>(\$581,694)</u>	<u>\$0</u>

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

### Note 18 – Center for Student Achievement

#### A. Description of the School

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

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

The Center operates under the direction of a five-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center and one or more parents and community civic leaders. During the fiscal year ended June 30, 2007, the Center paid Tri-Rivers Educational Computer Association (TRECA) for providing planning, design, implementation, instructional, administrative, and technical services. Thus, the Center did not have any employees. The Center uses the facilities of the Sponsor.

### **B. Summary of Significant Accounting Policies**

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

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

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

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

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

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

**Cash and Cash Equivalents** Cash received by the Center is reflected as "equity in cash and cash equivalents" on the statement of net assets. The Center had no investments during the fiscal year ended June 30, 2007.



## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

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

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

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

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

### C. Deposits

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in Division (1) or (2) of Ohio Rev. Code Section 135.18;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$68,648 of the Center's bank balance of \$168,648 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

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

### **D. Contract with TRECA**

The Center entered into a one year contract on August 20, 2007, with Tri-Rivers Education Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Center with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Center's educational plan and the Center's assessment and accountability plan.
- All personnel providing services to the Center on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided to the Center by TRECA shall include access to, and the use of computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Center shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Center.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including hardware) provided by the TRECA, the Center shall pay to TRECA \$3,900 per full-time student enrolled in the Center per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

## Jackson City School District, Ohio

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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The Center paid TRECA \$37,375 for services rendered in fiscal year 2007. To obtain TRECA's audited June 30, 2007 financial statements, please contact Scott Armstrong, Treasurer, at [scott@treca.org](mailto:scott@treca.org).

### **E. Risk Management**

The Center is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the Fiscal year ended June 30, 2007, the Center had liability insurance through the Jackson City School District's insurance policy.

### **F. Purchased Services**

For the period July 1, 2006 through June 30, 2007, the Center had expenses of \$53,496 for professional and technical services.

### **G. Related Party Transactions**

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

### **H. Contingencies**

**Grants** The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2007.

**Ohio Department of Education Enrollment Review** The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2007 review was not completed prior to the compilation of the Center's financial statements.

**Litigation** A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U. S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still currently pending, and the effect of this suit, if any, on the Center cannot presently be determined.

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**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>FEDERAL GRANTOR</b> <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 56,677	\$	\$ 56,677
Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006	29,206		29,206	
		05PU-2007	88,502		88,502	
Total School Breakfast Program			117,708	0	117,708	0
National School Lunch Program	10.555	LLP4-2006	115,082		115,082	
		LLP4-2007	306,280		306,280	
Total National School Lunch Program			421,362	0	421,362	0
Total Nutrition Cluster			539,070	0	539,070	0
Total United States Department of Agriculture			539,070	56,677	539,070	56,677
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1SD-2006			10,362	
		C1SD-2007	11,725		10,739	
		C1S1-2006			91,377	
		C1S1-2007	530,510		496,316	
Total Title I Grants to Local Educational Agencies			542,235	0	608,794	0
Special Education Cluster:						
Special Education - Grants to States	84.027	6BSF-2006			103,215	
		6BSF-2007	521,950		517,312	
Total Special Education - Grants to States			521,950	0	620,527	0
Special Education - Preschool Grants	84.173	PGS1-2006			26,935	
		PGS1-2007	33,478		31,466	
Total Special Education - Preschool Grants			33,478	0	58,401	0
Total Special Education Cluster			555,428	0	678,928	0
Safe and Drug-Free Schools and Communities	84.186	DRS1-2007	13,649		13,649	
Charter Schools	84.282	CHS1-2007	44,498		39,454	
Innovative Education Program Strategies	84.298	C2S1-2006			1,706	
		C2S1-2007	3,836		3,370	
Total Innovative Education Program Strategies			3,836	0	5,076	0
Education Technology State Grants	84.318	TJS1-2006			1,681	
		TJS1-2007	5,977		5,790	
Total Education Technology State Grants			5,977	0	7,471	0
Improving Teacher Quality Grants	84.367	TRS1-2006			15,952	
		TRS1-2007	154,476		138,040	
Total Improving Teacher Quality Grants			154,476	0	153,992	0
Total United States Department of Education			1,320,099	0	1,507,364	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program - Community Alternative Funding System (CAFS)	93.778	N/A	19,689			
Total United States Department of Health and Human Services			19,689	0	0	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 1,878,858</b>	<b>\$ 56,677</b>	<b>\$ 2,046,434</b>	<b>\$ 56,677</b>

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

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DONATION**

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

**NOTE C – CHILD NUTRITION CLUSTER**

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

**NOTE D – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS)**

The District received \$19,689 of CAFS during fiscal year 2007. The funds relate to reimbursement for CAFS services provided during prior periods.

**NOTE E – CHARTER SCHOOL**

The Charter School grant was awarded to the Center for Student Achievement (CSA), a component unit of the School District. The CSA is responsible for the compliance requirements related to the Charter School grant, however, as the sponsor of the CSA, the School District is the fiscal agent for the grant.



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 14, 2008, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the School District's management in a separate letter dated April 14, 2008.

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### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2007-001 through 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 14, 2008.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

April 14, 2008





# Mary Taylor, CPA

## Auditor of State

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Jackson City School District, Jackson County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007. In a separate letter to the School District's management dated April 14, 2008, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 14, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

April 14, 2008

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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 Programs (list):	Title I Grants to Local Educational Agencies – CFDA #84.010  Special Education Cluster: Special Education – Grants to States – CFDA #84.027 Special Education – Preschool Grants – CFDA #84.173
<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

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007  
(Continued)**

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

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

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

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

**Officials' Response:**

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

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

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

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

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007  
(Continued)**

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

**FINDING NUMBER 2007-002 (Continued)**

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

The School District did not obtain a certified amended certificate of estimated resources until June 29, 2007. As a result, appropriations exceeded estimated resources in all funds throughout the year. However, at June 30, 2007, appropriations were within the estimated resources certified by the County Auditor.

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

**Officials' Response:**

The Treasurer's belief is that this is being addressed better in fiscal year 2008.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

Budgetary expenditures (actual expenditures plus encumbrances) exceeded appropriations as of May 31, 2007, as follows:

Fund	Appropriations	Budgetary Expenditures	Variance
Classroom Maintenance	\$4,000	\$36,878	(\$32,878)
District Managed Activity	208,993	299,216	(90,223)
Entry Year	3,267	3,433	(166)
One Net	8,469	20,955	(12,486)
SchoolNet Professional Development	649	4,226	(3,577)
Handicapped Preschool	15,428	53,905	(38,477)
Miscellaneous Federal Grants	8,894	60,664	(51,770)
Classroom Facilities	7,285,531	8,940,287	(1,654,756)
SchoolNet Plus		30,336	(30,336)
Bond Retirement	1,841,195	2,146,655	(305,460)
Lloyd Trust	37,576	45,139	(7,563)
District Agency	154,076	254,995	(100,919)
Student Managed Activity	146098	161353	(15,255)

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2007  
(Continued)**

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

**FINDING NUMBER 2007-003 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(B) (Continued)**

At June 30, 2007, expenditures plus encumbrances were within appropriated amounts.

This could result in deficit spending by the School District.

We recommend the Treasurer deny payment requests in excess of legally authorized appropriations. Further, we recommend the Board of Education amend or supplement the appropriation measure in a timely manner as deemed necessary.

**Officials' Response:**

Appropriations are being periodically updated to the Board of Education in fiscal year 2008.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 §.315(b)  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2006-001	A material noncompliance citation was issued for Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected:  This item is repeated in the accompanying Schedule of Findings as Finding Number 2007-001
2006-002	A material noncompliance citation was issued for Ohio Rev. Code Section 5705.39 as a result of appropriations exceeding estimated resources.	No	Not Corrected:  This item is repeated in the accompanying Schedule of Findings as Finding Number 2007-002.
2006-003	A material noncompliance citation was issued for Ohio Rev. Code Sections 5705.14-.16 for transfers not being approved by the Board of Education and not being approved by the Court of Common Pleas and Tax Commissioner.	No	Not Corrected:  This item is reported in a separate letter to the School District's management.







**Mary Taylor, CPA**  
Auditor of State

**JACKSON CITY SCHOOL DISTRICT**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 13, 2008**