



Dave Yost • Auditor of State

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, Ohio (the School District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, Ohio, as of June 30, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

As described in Note 3, during 2011, the Jackson Center Local School District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012, 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.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 15, 2012

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$62,938, which represents a 6.35% increase from fiscal year 2010.
- General cash receipts accounted for \$7,866,243 or 83.69% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,532,706 or 16.31% of total governmental activities cash receipts of \$9,398,949.
- The District had \$9,336,011 in cash disbursements related to governmental activities; \$1,532,706 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,866,243 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The District restated fund balances at June 30, 2010 as described in Note 3.B to the basic financial statements. The general fund had \$4,596,989 in cash receipts and \$4,643,657 in cash disbursements and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$46,668 from \$801,938 to \$755,270.
- The bond retirement fund had \$3,969,112 in cash receipts and other financing sources and \$3,867,336 in cash disbursements and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$101,776 from \$139,253 to \$241,029.

Using these Cash Basis Basic Financial Statements

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

The *statement of net assets – cash basis* and *statement of activities – cash basis* provide information about the activities of the whole District, presenting both an aggregate view of the District's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund and the bond retirement fund are the most significant funds and the only governmental funds reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Reporting the District as a Whole

Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The statement of net assets – cash basis and the statement of activities – cash basis answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

In the statement of net assets – cash basis and the statement of activities – cash basis, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net assets and fund balances or changes in net assets and changes in fund balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-17 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate statement of fiduciary net assets – cash-basis on 18. This cash is excluded from the District's other financial statements because the cash cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-39 of this report.

The District as a Whole

Recall that the statement of net assets – cash-basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

| | Governmental Activities 2011 | Governmental Activities 2010 |
|--|---|---|
| Assets: | | |
| Equity in pooled cash and cash equivalents | \$1,054,451 | \$991,513 |
| Total assets | <u>1,054,451</u> | <u>991,513</u> |
| Net Assets: | | |
| Restricted | 391,424 | 264,838 |
| Unrestricted | 663,027 | 726,675 |
| Total net assets | <u>\$1,054,451</u> | <u>\$991,513</u> |

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's total net assets were \$1,054,451.

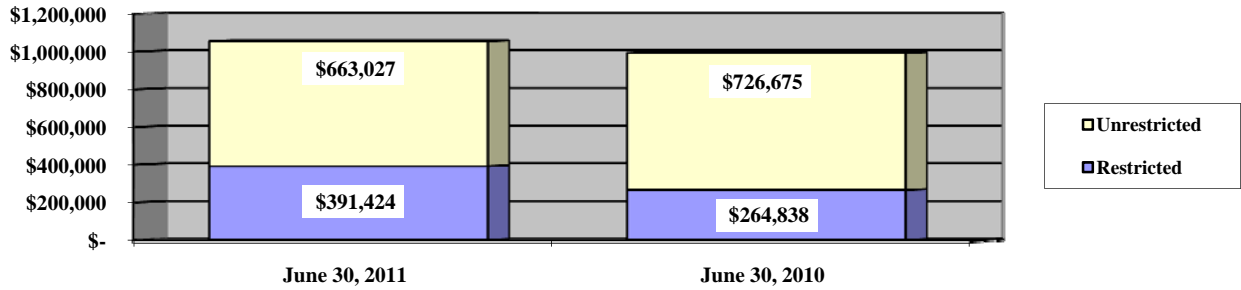
A portion of the District's net assets, \$391,424 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net assets of \$663,027 may be used to meet the government's ongoing obligations to students and creditors.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The graph below presents the District's governmental activities restricted and unrestricted net assets at June 30, 2011 and June 30, 2010.

Governmental Activities - Restricted and Unrestricted Net Assets



The table below shows the change in net assets for fiscal years 2011 and 2010:

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities 2011 | Governmental Activities 2010 |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 865,893 | \$ 850,805 |
| Operating grants and contributions | 666,813 | 530,779 |
| General cash receipts: | | |
| Property taxes | 1,423,270 | 1,563,056 |
| Income taxes | 335,879 | 29,328 |
| Grants and entitlements | 2,369,343 | 2,608,441 |
| Premium on bonds | 269,202 | |
| Sale of refunding bonds | 3,340,000 | |
| Investment earnings | 1,291 | 619 |
| Other | 127,258 | 99,255 |
| Total cash receipts | 9,398,949 | 5,682,283 |
| Cash Disbursements: | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | 2,621,698 | 2,447,272 |
| Special | 392,662 | 579,361 |
| Vocational | 1,249 | 491 |
| Support services: | | |
| Pupil | 320,409 | 187,164 |
| Instructional staff | 251,102 | 233,785 |
| Board of education | 12,142 | 12,389 |
| Administration | 391,954 | 404,504 |
| Fiscal | 306,728 | 295,953 |
| Operations and maintenance | 537,010 | 535,973 |
| Pupil transportation | 183,146 | 154,503 |
| Central | | 500 |

(Continued)

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

| | Change in Net Assets (Continued) | |
|---|---|---|
| | Governmental Activities 2011 | Governmental Activities 2010 |
| Cash Disbursements: (Continued) | | |
| Operation of non-instructional services: | | |
| Food service operations | 237,595 | 222,356 |
| Extracurricular activities | 171,151 | 180,109 |
| Facilities acquisition and construction | 38,683 | 11,127 |
| Debt service: | | |
| Principal retirement | 168,000 | 158,000 |
| Interest and fiscal charges | 93,280 | 182,799 |
| Bond issuance costs | 73,356 | |
| Payment to refunded bond escrow agent | 3,535,846 | |
| Total cash disbursements | 9,336,011 | 5,606,286 |
| Change in net assets | 62,938 | 75,997 |
| Net assets at beginning of year | 991,513 | 915,516 |
| Net assets at end of year | \$1,054,451 | \$991,513 |

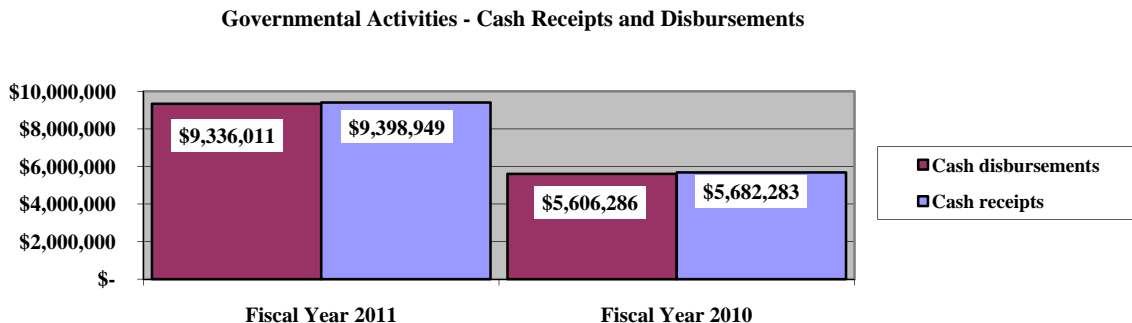
Governmental Activities

Net assets of the District's governmental activities increased \$62,938. Total governmental cash disbursements of \$9,336,011 were offset by program cash receipts of \$1,532,706 and general cash receipts of \$7,866,243. Program cash receipts supported 16.42% of the total governmental cash disbursements.

The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These cash receipts sources represent 43.93% of total governmental cash receipts. The increase in operating grants and contributions is attributable to monies received during fiscal year 2011 related to the Pathway to Student Success program, which is administered through the Ohio Department of Education. This helped to offset the decrease in general cash receipts grants and entitlements.

The largest cash disbursement not related to debt service of the District is for instructional programs. Instruction cash disbursements totaled \$3,015,609 or 32.30% of total governmental cash disbursements for fiscal year 2011.

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2011 and 2010.



**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

The statement of activities – cash-basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2011 and 2010. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

| Governmental Activities | | | | |
|---|--|--|--|--|
| | Total Cost of Services 2011 | Net Cost of Services 2011 | Total Cost of Services 2010 | Net Cost of Services 2010 |
| Program cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$2,621,698 | \$1,790,977 | \$2,447,272 | \$1,651,532 |
| Special | 392,662 | 138,371 | 579,361 | 333,579 |
| Vocational | 1,249 | (300) | 491 | (1,047) |
| Support services: | | | | |
| Pupil | 320,409 | 200,556 | 187,164 | 184,533 |
| Instructional staff | 251,102 | 244,344 | 233,785 | 220,197 |
| Board of education | 12,142 | 12,142 | 12,389 | 12,389 |
| Administration | 391,954 | 391,954 | 404,504 | 400,278 |
| Fiscal | 306,728 | 301,728 | 295,953 | 290,953 |
| Operations and maintenance | 537,010 | 537,010 | 535,973 | 535,973 |
| Pupil transportation | 183,146 | 180,543 | 154,503 | 149,863 |
| Central | | | 500 | 500 |
| Operation of non-instructional services: | | | | |
| Food service operations | 237,595 | 20,959 | 222,356 | 13,549 |
| Extracurricular activities | 171,151 | 75,856 | 180,109 | 80,477 |
| Facilities acquisition and construction | 38,683 | 38,683 | 11,127 | 11,127 |
| Debt service: | | | | |
| Principal retirement | 168,000 | 168,000 | 158,000 | 158,000 |
| Interest and fiscal charges | 93,280 | 93,280 | 182,799 | 182,799 |
| Bond issuance costs | 73,356 | 73,356 | | |
| Payment to refunded bond escrow agent | 3,535,846 | 3,535,846 | | |
| Total cash disbursements | <u>\$9,336,011</u> | <u>\$7,803,305</u> | <u>\$5,606,286</u> | <u>\$4,224,702</u> |

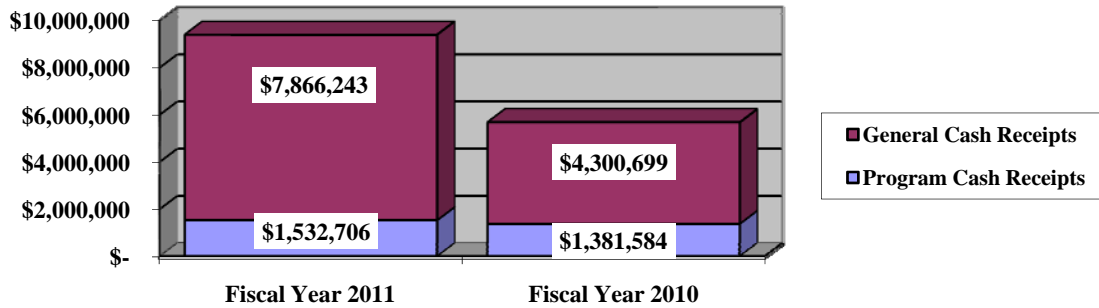
The dependence upon tax and other general cash receipts for governmental activities is apparent, 63.97% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 83.58%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2011 and 2010.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund balance of \$1,054,451, which is greater than last year's total restated balance of \$991,513 (as described in Note 3.B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and June 30, 2010.

| | Fund Balance June 30, 2011 | Restated Fund Balance June 30, 2010 | Increase/ (Decrease) | Percentage Change |
|--------------------|---------------------------------------|--|---------------------------------|------------------------------|
| General | \$ 755,270 | \$801,938 | (\$46,668) | (5.82) % |
| Bond Retirement | 241,029 | 139,253 | 101,776 | 73.09 % |
| Other Governmental | 58,152 | 50,322 | 7,830 | 15.56 % |
| Total | \$1,054,451 | \$991,513 | \$62,938 | 6.35 % |

General Fund

The District's general fund balance decreased \$46,668. The decrease in fund balance can be attributed to various items related to cash disbursements outpacing cash receipts during fiscal year 2011.

The table that follows assists in illustrating the cash financial activities of the general fund.

| | 2011 Amount | Restated 2010 Amount | Increase/ (Decrease) | Percentage Change |
|---|------------------------|-------------------------------------|---------------------------------|------------------------------|
| Cash Receipts: | | | | |
| Taxes | \$1,447,080 | \$1,286,917 | \$160,163 | 12.45 % |
| Tuition | 608,391 | 590,915 | 17,476 | 2.96 % |
| Earnings on investments | 241 | 619 | (378) | (61.07) % |
| Intergovernmental | 2,364,964 | 2,506,210 | (141,246) | (5.64) % |
| Other revenues | 176,313 | 152,548 | 23,765 | 15.58 % |
| Total | 4,596,989 | 4,537,209 | 59,780 | 1.32 % |
| Cash Disbursements: | | | | |
| Instruction | 2,675,049 | 2,612,805 | 62,244 | 2.38 % |
| Support services | 1,839,840 | 1,769,431 | 70,409 | 3.98 % |
| Extracurricular activities | 101,973 | 104,995 | (3,022) | (2.88) % |
| Facilities acquisition and construction | 795 | 795 | 795 | 100.00 % |
| Total | \$4,617,657 | \$4,487,231 | \$130,426 | 2.91 % |

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

Overall cash receipts of the general fund increased \$59,780 or 1.32% during fiscal year 2011. The increase in taxes in the amount of \$160,163 or 12.45% is primarily due to the District being in its first full year receiving income tax receipts. The decrease in intergovernmental in the amount of \$141,246 or 5.64% is mainly due to a decrease in tangible personal property tax loss reimbursement receipts received from the State.

Overall cash disbursements of the general fund increased \$130,426 or 2.91% during fiscal year 2011. The minor increase in instruction and support services cash disbursements of \$132,653 or 3.03% is an indication the District attempted to remain fiscally responsible during difficult economic times.

Bond Retirement Fund

The bond retirement fund had \$3,969,112 in cash receipts and other financing sources and \$3,867,336 in cash disbursements and other financing uses. During fiscal year 2011, the bond retirement fund's fund balance increased \$101,776 from \$139,253 to \$241,029.

General Fund Budgeting Highlights

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

For the general fund, original budgeted receipts and other financing sources of \$4,545,399 matched exactly to the final budgeted amounts. Actual receipts and other financing sources for fiscal year 2011 were \$4,590,537. This represents a \$45,138 increase from final budgeted receipts and other financing sources.

General fund original appropriations (appropriated disbursements including other financing uses) of \$4,642,755 matched exactly to the final budgeted amounts. The actual budget basis disbursements and other financing uses for fiscal year 2011 totaled \$4,759,875, which was \$117,120 more than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

At June 30, 2011, the District had \$3,410,000 in current interest bonds, \$135,000 in capital appreciation bonds and \$274,031 in accreted interest. Of this total, \$240,000 is due within one year and \$3,579,031 is due in more than one year. The following table summarizes the bonds outstanding.

| Outstanding Debt, at Year End | | |
|---|---|---|
| | Governmental Activities 2011 | Governmental Activities 2010 |
| Current interest bonds | \$3,410,000 | \$3,665,000 |
| Capital appreciation bonds | 135,000 | 40,000 |
| Accreted interest | 274,031 | 213,430 |
| Permanent improvement anticipation note | | 8,000 |
| Total | \$3,819,031 | \$3,926,430 |

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)
(Continued)**

At June 30, 2011, the District's overall legal debt margin was \$1,600,489 and an unvoted debt margin of \$54,494.

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

Current Financial Related Activities

The District faces a number of challenges in the future. As the preceding information shows, the District relies heavily on property taxes to fund operations, but has diversified through the passage of a 1.0% earned income tax. The earned income tax took effect on January 1, 2010 and the overall estimated revenues will be approximately \$430,000. This permitted the District to allow a 7.5 mil, 5 year limited property tax to roll off. The District is now, essentially, at the 20 mil floor. The long term impact of the elimination of the personal property tax will have an adverse effect on the financial health of the District should the District not experience significant residential growth. While in the short term the budget bill included provisions for replacement of lost personal property tax revenue, the replacement is only temporary. The amount of the replacement funds for the District is approximately 12.50 mils.

The District has successfully updated its permanent improvement levy, passing a 1.0 mil replacement levy in May of 2010. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future.

Another equally challenging situation is the District's enrollment. The District's enrollment, which had seen declines in the early part of the decade stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 18-20 students. In fiscal years 2008 and 2009, the District lost a minimal amount of students. However, enrollment gains occurred in fiscal years 2010 and 2011, as successive classes of 60 and 50 students are well above the rounded average of 41 students per level. Enrollment gains appear likely in fiscal year 2012, with much of it attributed to open enrollment. These gains are, in large part, attributable to the District's effort in recent years to enhance the academic environment in order to reduce the number of students leaving through open enrollment.

A decrease in expenditures and lower than estimated cost of health insurance resulted in a slight, but positive cash flow in fiscal year 2010, but larger than expected expenditures for special academic programs, such as those at the Shelby County Educational Service Center, as well as impacted receipts from earned income tax collections still in their infancy, created a situation in fiscal year 2011 where expenditures outpaced revenues. The Board of Education has remained active in managing costs, with a focus on salaries and benefits. Headcount has been managed and all employees took a two year freeze on wages. This was on the heels of a similar agreement in the previous one year contract.

A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing developments in the village to help the school population. Due to this endeavor, a new housing development was started with six new houses having been constructed as of the June 30, 2008 report. This development slowed in fiscal year 2010, but all the houses currently have owners or tenants and another street has been added with additional houses now finished. The group is very early in its endeavor, so the long term results are yet to be seen.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)
(Continued)**

Future revenue is a mixed forecast. The loss of receipts from tangible personal property tax and Hold-Harmless monies make meeting short term budgets difficult. Some optimism may be warranted on a two to four year horizon as a wind turbine project takes shape within the District. Land owners have signed on, which is a big step, but nothing is certain at this time as far as following through with the project. Also, if the enrollment does not show growth in the future and as the abatements begin to expire, the increased property valuation will reduce the State basic aid by the 23 mil charge-off amount. The elimination of the personal property tax replacement funds will further push the funding burden onto the shoulders of the District's residents.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Tony Meyer, Treasurer, Jackson Center Local School District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2011**

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$1,054,451 |
| Total assets | <u>1,054,451</u> |
| Net Assets: | |
| Restricted for: | |
| Capital projects | 33,881 |
| Debt service | 241,029 |
| Locally funded programs | 1,582 |
| State funded programs | 877 |
| District managed student activities | 42,205 |
| Other purposes | 71,850 |
| Unrestricted | 663,027 |
| Total net assets | <u><u>\$1,054,451</u></u> |

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Cash</u> | <u>Program Cash Receipts</u> | | <u>Changes in Net</u> |
|---|----------------------|------------------------------|--------------------------|-----------------------|
| | <u>Disbursements</u> | <u>Charges for</u> | <u>Operating Grants</u> | <u>Cash Assets</u> |
| | | <u>Services and Sales</u> | <u>and Contributions</u> | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$2,621,698 | \$643,458 | \$187,263 | (\$1,790,977) |
| Special | 392,662 | | 254,291 | (138,371) |
| Vocational | 1,249 | | 1,549 | 300 |
| Support services: | | | | |
| Pupil | 320,409 | | 119,853 | (200,556) |
| Instructional staff | 251,102 | | 6,758 | (244,344) |
| Board of education | 12,142 | | | (12,142) |
| Administration | 391,954 | | | (391,954) |
| Fiscal | 306,728 | | 5,000 | (301,728) |
| Operations and maintenance | 537,010 | | | (537,010) |
| Pupil transportation | 183,146 | | 2,603 | (180,543) |
| Operation of non-instructional services: | | | | |
| Food service operations | 237,595 | 127,370 | 89,266 | (20,959) |
| Extracurricular activities | 171,151 | 95,065 | 230 | (75,856) |
| Facilities acquisition and construction | 38,683 | | | (38,683) |
| Debt service: | | | | |
| Principal retirement | 168,000 | | | (168,000) |
| Interest and fiscal charges | 93,280 | | | (93,280) |
| Bond issuance costs | 73,356 | | | (73,356) |
| Payment to refunded bond escrow agent | 3,535,846 | | | (3,535,846) |
| Totals | <u>\$9,336,011</u> | <u>\$865,893</u> | <u>\$666,813</u> | <u>(7,803,305)</u> |
| General Cash Receipts: | | | | |
| Property taxes levied for: | | | | |
| | | | | 1,111,201 |
| | | | | 268,615 |
| | | | | 43,454 |
| Income taxes levied for: | | | | |
| | | | | 335,879 |
| | | | | 2,369,343 |
| | | | | 269,202 |
| | | | | 3,340,000 |
| | | | | 1,291 |
| | | | | 127,258 |
| | | | | <u>7,866,243</u> |
| | | | | 62,938 |
| | | | | <u>991,513</u> |
| | | | | <u>\$1,054,451</u> |

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|------------------|----------------------------|---|---|
| Cash Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$692,693 | \$241,029 | \$58,152 | \$991,874 |
| Restricted cash assets: | | | | |
| Equity in pooled cash and cash equivalents | 62,577 | | | 62,577 |
| Total cash assets | <u>755,270</u> | <u>241,029</u> | <u>58,152</u> | <u>1,054,451</u> |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Debt service | | 241,029 | | 241,029 |
| Capital improvements | | | 33,881 | 33,881 |
| Food service operations | | | 4,305 | 4,305 |
| Extracurricular | | | 42,205 | 42,205 |
| Textbooks | 49,158 | | | 49,158 |
| School bus purchases | 13,419 | | | 13,419 |
| Other purposes | | | 2,459 | 2,459 |
| Committed: | | | | |
| Other purposes | | | 4,968 | 4,968 |
| Assigned: | | | | |
| Student instruction | 42,242 | | | 42,242 |
| Student and staff support | 84,147 | | | 84,147 |
| Adult education | 2,150 | | | 2,150 |
| Other purposes | 1,869 | | | 1,869 |
| Unassigned (deficit) | 562,285 | | (29,666) | 532,619 |
| Total fund balances | <u>\$755,270</u> | <u>\$241,029</u> | <u>\$58,152</u> | <u>\$1,054,451</u> |

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DIBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|------------------|----------------------------|---|---|
| Cash Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$1,111,201 | \$268,615 | \$43,454 | \$1,423,270 |
| Income taxes | 335,879 | | | 335,879 |
| Tuition | 608,391 | | | 608,391 |
| Earnings on investments | 241 | 1,050 | | 1,291 |
| Charges for services | | | 127,370 | 127,370 |
| Extracurricular | 16,733 | | 78,332 | 95,065 |
| Classroom materials and fees | 35,067 | | | 35,067 |
| Contributions and donations | 30,193 | | 230 | 30,423 |
| Other local revenues | 94,320 | | 2,745 | 97,065 |
| Intergovernmental - intermediate | | | 18,757 | 18,757 |
| Intergovernmental - state | 2,343,706 | 90,245 | 33,948 | 2,467,899 |
| Intergovernmental - federal | 21,258 | | 528,012 | 549,270 |
| Total cash receipts | <u>4,596,989</u> | <u>359,910</u> | <u>832,848</u> | <u>5,789,747</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,423,104 | | 198,594 | 2,621,698 |
| Special | 250,696 | | 141,966 | 392,662 |
| Vocational | 1,249 | | | 1,249 |
| Support services: | | | | |
| Pupil | 187,340 | | 133,069 | 320,409 |
| Instructional staff | 241,565 | | 9,537 | 251,102 |
| Board of education | 10,071 | | 2,071 | 12,142 |
| Administration | 391,954 | | | 391,954 |
| Fiscal | 295,724 | 5,006 | 5,998 | 306,728 |
| Operations and maintenance | 530,040 | | 6,970 | 537,010 |
| Pupil transportation | 183,146 | | | 183,146 |
| Operation of non-instructional services: | | | | |
| Food service operations | | | 237,595 | 237,595 |
| Extracurricular activities | 101,973 | | 69,178 | 171,151 |
| Facilities acquisition and construction | 795 | | 37,888 | 38,683 |
| Debt service: | | | | |
| Principal retirement | | 160,000 | 8,000 | 168,000 |
| Interest and fiscal charges | | 93,128 | 152 | 93,280 |
| Bond issuance costs | | 73,356 | | 73,356 |
| Total cash disbursements | <u>4,617,657</u> | <u>331,490</u> | <u>851,018</u> | <u>5,800,165</u> |
| Excess (deficiency) of cash receipts over (under) cash disbursements | <u>(20,668)</u> | <u>28,420</u> | <u>(18,170)</u> | <u>(10,418)</u> |
| Other financing sources (uses): | | | | |
| Sale of refunding bonds | | 3,340,000 | | 3,340,000 |
| Premium on bonds | | 269,202 | | 269,202 |
| Transfers in | | | 26,000 | 26,000 |
| Transfers (out) | (26,000) | | | (26,000) |
| Payment to refunded bond escrow agent | | (3,535,846) | | (3,535,846) |
| Total other financing sources (uses) | <u>(26,000)</u> | <u>73,356</u> | <u>26,000</u> | <u>73,356</u> |
| Net change in fund balances | (46,668) | 101,776 | 7,830 | 62,938 |
| Fund balances at beginning of year (restated) | 801,938 | 139,253 | 50,322 | 991,513 |
| Fund balances at end of year | <u>\$755,270</u> | <u>\$241,029</u> | <u>\$58,152</u> | <u>\$1,054,451</u> |

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Cash Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$1,100,274 | \$1,100,274 | \$1,111,201 | \$10,927 |
| Income taxes | 332,576 | 332,576 | 335,879 | 3,303 |
| Tuition | 602,409 | 602,409 | 608,391 | 5,982 |
| Earnings on investments | 239 | 239 | 241 | 2 |
| Classroom materials and fees | 34,670 | 34,670 | 35,014 | 344 |
| Contributions and donations | 29,896 | 29,896 | 30,193 | 297 |
| Other local revenues | 93,393 | 93,393 | 94,320 | 927 |
| Intergovernmental - state | 2,320,661 | 2,320,661 | 2,343,706 | 23,045 |
| Intergovernmental - federal | 21,049 | 21,049 | 21,258 | 209 |
| Total cash receipts | <u>4,535,167</u> | <u>4,535,167</u> | <u>4,580,203</u> | <u>45,036</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,420,461 | 2,420,461 | 2,475,379 | (54,918) |
| Special | 244,162 | 244,162 | 250,996 | (6,834) |
| Vocational | 1,215 | 1,215 | 1,249 | (34) |
| Support services: | | | | |
| Pupil | 182,871 | 182,871 | 187,990 | (5,119) |
| Instructional staff | 234,988 | 234,988 | 241,565 | (6,577) |
| Board of education | 9,893 | 9,893 | 10,170 | (277) |
| Administration | 416,128 | 416,128 | 427,775 | (11,647) |
| Fiscal | 300,506 | 300,506 | 308,917 | (8,411) |
| Operations and maintenance | 534,623 | 534,623 | 549,587 | (14,964) |
| Pupil transportation | 190,629 | 190,629 | 195,965 | (5,336) |
| Extracurricular activities | 81,214 | 81,214 | 83,487 | (2,273) |
| Facilities acquisition and construction | 773 | 773 | 795 | (22) |
| Total cash disbursements | <u>4,617,463</u> | <u>4,617,463</u> | <u>4,733,875</u> | <u>(116,412)</u> |
| Excess of cash disbursements over cash receipts | <u>(82,296)</u> | <u>(82,296)</u> | <u>(153,672)</u> | <u>(71,376)</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 10,232 | 10,232 | 10,334 | 102 |
| Transfers (out) | (25,292) | (25,292) | (26,000) | (708) |
| Total other financing sources (uses) | <u>(15,060)</u> | <u>(15,060)</u> | <u>(15,666)</u> | <u>(606)</u> |
| Net change in fund balance | (97,356) | (97,356) | (169,338) | (71,982) |
| Fund balance at beginning of year (restated) | 694,971 | 694,971 | 694,971 | |
| Prior year encumbrances appropriated | 99,228 | 99,228 | 99,228 | |
| Fund balance at end of year | <u>\$696,843</u> | <u>\$696,843</u> | <u>\$624,861</u> | <u>(\$71,982)</u> |

See accompanying notes to the basic financial statements.

JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2011

| | <u>Agency</u> |
|--|-----------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$21,768 |
| Total assets | <u>21,768</u> |
| Liabilities: | |
| Due to students | 21,768 |
| Total liabilities | <u>\$21,768</u> |

See accompanying notes to the basic financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Center Local School District (the "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 District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 28 non-certificated employees, 42 certified full-time teaching personnel and 3 administrative employees to provide services to 575 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships. The District is the 612th largest in the State of Ohio (among 918 school districts and community schools) in terms of enrollment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

1. Jointly Governed Organizations

Western Ohio Computer Organization (WOCO)

WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$40,089 to WOCO during fiscal year 2011. Financial information is available from Donn Walls, who serves as Administrator at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

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

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

Southwestern Ohio Instructional Technology Association (SOITA)

The SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members within the state assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

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

Shelby County Local Professional Development Committee (Committee)

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

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

2. Insurance Purchasing Pools

Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan

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

Shelby County Schools Consortium

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center.

The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

Southwestern Ohio Educational Council Property, Fleet, and Liability Program

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

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

B. Basis of Accounting

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

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

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The District classifies each fund as governmental or fiduciary.

1. Governmental Funds

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

General fund

The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond retirement fund

The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

2. Fiduciary Funds

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

D. Basis of Presentation

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

1. Government-wide Financial Statements

The statement of net assets – cash-basis and the statement of activities – cash-basis display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or receipts or other non exchange transactions.

The statement of net assets – cash-basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities – cash-basis compares disbursements with program receipts for each function or program of the 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 District's general receipts.

2. Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level.

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

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

F. Cash and Investments

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

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Non-participating investment contracts such as repurchase agreements are reported at cost. As of June 30, 2011, the District did not report any investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$241, which includes \$63 assigned from other funds.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Unpaid Vacation and Sick Leave

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

I. Long-Term Obligations

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

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Assets

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

L. Inventory and Prepaid Items

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

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Interfund Activity

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside for textbooks/instructional materials and school bus purchases. This restriction is required by State statute. A schedule of restricted assets is presented in Note 14.

P. Receipts and Disbursements

In the statements of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and operating grants and contributions. All other governmental revenues, including bond proceeds and premiums, are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

3. ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

| | <u>General</u> | <u>Bond Retirement</u> | <u>Non-major Governmental</u> | <u>Total Governmental</u> |
|---------------------------------------|------------------|------------------------|-------------------------------|---------------------------|
| Fund balance as previously reported | \$796,015 | \$139,253 | \$56,245 | \$991,513 |
| Fund reclassifications: | | | | |
| Adult education fund | 2,150 | | (2,150) | |
| Public school support fund | 3,773 | | (3,773) | |
| Total fund reclassifications | <u>5,923</u> | | <u>(5,923)</u> | |
| Restated fund balance at July 1, 2010 | <u>\$801,938</u> | <u>\$139,253</u> | <u>\$50,322</u> | <u>\$991,513</u> |

The fund reclassifications did not have an effect on net cash assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE (Continued)

| Budgetary Basis | General Fund |
|----------------------------------|--------------|
| Balance at June 30, 2010 | \$696,787 |
| Funds budgeted elsewhere | (1,816) |
| Restated balance at July 1, 2010 | \$694,971 |

D. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

4. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2, above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At year end, the District had \$150 in un-deposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$1,076,069. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the District's entire bank balance of \$1,127,351 was covered by the FDIC.

C. Reconciliation of Cash to the Statement of Net Assets – Cash-Basis

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets – cash-basis as of June 30, 2011:

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

| | |
|-----------------------------|-------------|
| Cash per note: | |
| Carrying amount of deposits | \$1,076,069 |
| Cash on hand | 150 |
| Total | \$1,076,219 |

| | |
|--|-------------|
| Cash per statement of net assets: | |
| Governmental activities | \$1,054,451 |
| Agency fund | 21,768 |
| Total | \$1,076,219 |

5. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than a reservation of fund balance (cash).

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

| Net Change in Fund Cash Balance | General fund |
|--|---------------------|
| Cash basis | (\$ 46,668) |
| Funds budgeted elsewhere | 1,700 |
| Adjustment for encumbrances | (124,370) |
| Budget basis | (\$169,338) |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, adult education fund and the public school support fund.

6. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

| | |
|--|---------------|
| Transfers to non-major governmental fund from: | Amount |
| General fund | \$26,000 |

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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 revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Shelby, Auglaize and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2011 taxes were collected are:

| | 2010 Second Half Collections | | 2011 First Half Collections | |
|--|---|----------------------|--|----------------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/residential and other real estate | \$51,899,290 | 96.54 | \$52,326,900 | 96.02 |
| Public utility personal | 1,828,460 | 3.40 | 2,167,100 | 3.98 |
| Tangible personal property | 32,940 | 0.06 | | |
| Total | <u>\$53,760,690</u> | <u>100.00</u> | <u>\$54,494,000</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | | \$45.70 | | \$45.70 |

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

8. SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue in the amount of \$335,879 was credited to the general fund in fiscal year 2011.

9. LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in the District's long-term obligations:

| | Balance Outstanding June 30, 2010 | Additions | Reductions | Balance Outstanding June 30, 2011 | Amounts Due in One Year |
|---|--|--------------------|----------------------|--|--|
| Governmental activities: | | | | | |
| General obligation bonds: | | | | | |
| School improvement bonds: | | | | | |
| Current interest bonds | \$3,665,000 | | (\$3,500,000) | \$ 165,000 | \$165,000 |
| Capital appreciation bonds | 40,000 | | | 40,000 | |
| Accretion on capital bonds | 213,430 | \$ 57,242 | | 270,672 | |
| Series 2011 refunding bonds: | | | | | |
| Current interest bonds | | 3,245,000 | | 3,245,000 | 75,000 |
| Capital appreciation bonds | | 95,000 | | 95,000 | |
| Accretion on capital bonds | | 3,359 | | 3,359 | |
| Total bonds payable | <u>3,918,430</u> | <u>3,400,601</u> | <u>(3,500,000)</u> | <u>3,819,031</u> | <u>240,000</u> |
| Permanent improvement anticipation notes | <u>8,000</u> | | <u>(8,000)</u> | | |
| Total bonds and notes payable | <u>\$3,926,430</u> | <u>\$3,400,601</u> | <u>(\$3,508,000)</u> | <u>\$3,819,031</u> | <u>\$240,000</u> |

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

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount of the capital appreciation bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2011 is \$270,672.

Series 2011 School Improvement Refunding Bonds - On April 6, 2011, the District issued series 2011 school improvement refunding bonds to refund the callable portion of the series 2001 general obligation bonds (principal \$3,340,000). The balance of the refunded general obligation current interest bonds at June 30, 2011, is \$165,000. Issuance proceeds totaling \$3,535,846 were deposited with an escrow agent.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

9. LONG-TERM OBLIGATIONS (Continued)

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$3,245,000 and \$95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is \$225,000 each with \$355,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2011 is \$3,359.

These bonds were issued with a premium of \$269,202, which is reported as another financing source on the fund financial statements. The issuance costs of \$73,356 are reported as a disbursement on the fund financial statements. This refunding was undertaken to reduce the combined total debt service payments over the next 18 years by \$116,214.

Permanent Improvement Anticipation Notes - During 2006, the District signed a \$40,000 note for the purchase of adjacent residential property. The note was issued February 1, 2006 and carried an interest rate of 3.74%. The note matured on December 1, 2010 and was retired from the permanent improvement fund (a non-major capital project fund).

Principal and interest requirements to retire the general obligation bonds and notes outstanding at June 30, 2011, are as follows:

| Fiscal Year Ending June 30, | General Obligation Current Interest Bonds | | | General Obligation Capital Appreciation Bonds | | |
|--------------------------------|--|--------------------|--------------------|--|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2012 | \$ 240,000 | \$ 143,472 | \$ 383,472 | | | |
| 2013 | 35,000 | 120,253 | 155,253 | \$ 16,207 | \$153,793 | \$170,000 |
| 2014 | 35,000 | 119,552 | 154,552 | 13,140 | 156,860 | 170,000 |
| 2015 | 40,000 | 118,752 | 158,752 | 10,653 | 159,347 | 170,000 |
| 2016 | 210,000 | 115,677 | 325,677 | | | |
| 2017 - 2021 | 665,000 | 522,937 | 1,187,937 | 95,000 | 355,000 | 450,000 |
| 2022 - 2026 | 1,285,000 | 332,439 | 1,617,439 | | | |
| 2027 - 2029 | 900,000 | 61,296 | 961,296 | | | |
| Total | <u>\$3,410,000</u> | <u>\$1,534,378</u> | <u>\$4,944,378</u> | <u>\$135,000</u> | <u>\$825,000</u> | <u>\$960,000</u> |

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that un-voted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that un-voted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006.

In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$1,600,489 (including available funds of \$241,029) and an un-voted debt margin of \$54,494.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A.) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

| <u>Limits of Coverage</u> | <u>Insurer</u> | <u>Coverage</u> | <u>Deductible</u> |
|-----------------------------|---------------------------------|--------------------------|-------------------|
| Property | Selective Insurance Co. | \$ 1,000,000 | \$1,000 |
| General Liability | Selective Insurance Co. | 1,000,000 / 3,000,000 | |
| Liability, fleet & property | Selective Insurance Co. | 1,000,000 | |
| Each occurrence | | 1,000,000 | |
| Aggregate | | 3,000,000 | |
| Excess property | Travelers Indemnity Co. | 350,000,000 | |
| School Board Legal Liab. | The Ins. Co. of the State of PA | 5,000,000 / 1,000,000 | |
| Excess Liability | Genesis Insurance Co. | 5,000,000 | |

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Dental and Life Insurance Benefits

For fiscal year 2011, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A.). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$79,928, \$81,037 and \$52,176, respectively; 46.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

11. PENSION PLANS (Continued)

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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$279,498, \$287,705 and \$271,641, respectively; 82.32 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$10,999 made by the District and \$7,856 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$19,304, \$11,826 and \$23,878, respectively; 46.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$5,144, \$4,819 and \$4,305, respectively; 46.89 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$21,500, \$22,131 and \$20,895, respectively; 82.32 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

13. CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

14. SET-ASIDES

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

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

| | Textbooks | Capital Improvements |
|---|------------------|---------------------------------|
| Set-aside reserve balance June 30, 2010 | \$28,020 | |
| Current year set-aside requirement | 80,061 | \$80,061 |
| Contributions in excess of the current fiscal year set-aside requirement | | |
| Current year qualifying expenditures | (58,923) | |
| Excess qualified expenditures from prior years | | |
| Current year offsets | | (65,582) |
| Waiver granted by ODE | | |
| Prior year offset from bond proceeds | | (14,479) |
| Total | \$49,158 | |
| Balance carried forward to fiscal year 2012 | | |
| Set-aside reserve balance June 30, 2011 | \$49,158 | \$ 0 |

Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This positive balance is therefore not being presented as being carried forward to the future fiscal year. For the capital improvements reserve, qualifying expenditures and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

During fiscal year 2002, the District issued \$4,780,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$4,346,012 at June 30, 2011.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. SET-ASIDES (Continued)

A schedule of the restricted assets at June 30, 2011 follows:

| | |
|--|------------------------|
| Amount restricted for textbooks | \$49,158 |
| Amount restricted for school bus purchases | <u>13,419</u> |
| Total restricted cash | <u><u>\$62,577</u></u> |

15. COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

| Fund Type | Year-End Encumbrances |
|--------------------|----------------------------------|
| General fund | \$124,770 |
| Other governmental | <u>8,086</u> |
| Total | <u><u>\$132,856</u></u> |

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| FEDERAL GRANTOR Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|------------------------------------|------------------|------------------------------|----------------------|-----------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | |
| National School Lunch Program | 10.555 | \$86,426 | | \$86,426 | |
| Non-Cash Assistance (Food Distribution): | | | | | |
| National School Lunch Program | 10.555 | | \$12,333 | | \$12,333 |
| Total National School Lunch Program | | <u>86,426</u> | <u>12,333</u> | <u>86,426</u> | <u>12,333</u> |
| Total U. S. Department of Agriculture | | <u>86,426</u> | <u>12,333</u> | <u>86,426</u> | <u>12,333</u> |
| UNITED STATES DEPARTMENT OF EDUCATION | | | | | |
| <i>Direct Program:</i> | | | | | |
| Rural Education (REAP Small, Rural School Achievement grant) | 84.358 | 35,484 | | 35,484 | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 153 | | | |
| Special Education Cluster: | | | | | |
| Special Education Grants to States | 84.027 | 115,106 | | 106,032 | |
| ARRA Special Education Grants to States - Recovery Act | 84.391 | 31,566 | | 60,503 | |
| Total Special Education Cluster | | <u>146,672</u> | | <u>166,535</u> | |
| Title 1, Part A Cluster: | | | | | |
| Title 1 Grants to Local Educational Agencies | 84.010 | 73,741 | | 70,780 | |
| ARRA Title 1 Grants to Local Educational Agencies - Recovery Act | 84.389 | 33,317 | | 21,311 | |
| Total Title 1, Part A Cluster | | <u>107,058</u> | | <u>92,091</u> | |
| Education Technology State Grants | 84.318 | 612 | | 236 | |
| Improving Teacher Quality State Grants | 84.367 | 12,228 | | 24,149 | |
| ARRA State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act | 84.394 | 137,175 | | 124,345 | |
| ARRA State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | | | 3,107 | |
| Total U. S. Department of Education | | <u>439,382</u> | | <u>445,947</u> | |
| Total Federal Financial Assistance | | <u>\$525,808</u> | <u>\$12,333</u> | <u>\$532,373</u> | <u>\$12,333</u> |

The accompanying notes to this schedule are an integral part of this schedule.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Jackson Center Local School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Center Local School District, Shelby County, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 15, 2012, wherein we noted the School District adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the School District uses a comprehensive accounting basis 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 15, 2012.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 15, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Jackson Center Local School District (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 could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. 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 opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 these 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 these requirements.

In our opinion, the Jackson Center Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

**Internal Control Over Compliance
(Continued)**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

We noted matters involving federal compliance or 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 March 15, 2012.

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



Dave Yost
Auditor of State

March 15, 2012

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster, CFDA #84.027 & #84.391 ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act CFDA #84.394 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

FINDING NUMBER 2011-01

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

Ohio Admin. Code Section 117-2-03(B) requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. 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 District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare its annual financial statements according to generally accepted accounting principles to help provide the users with more meaningful financial statements,

OFFICIAL'S RESPONSE:

The Jackson Center Local School District has elected not to prepare financial reports in accordance with Generally Accepted Accounting Principles (GAAP) due to the projected savings in conversion and audit costs during this audit period.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2010-001 | Ohio Rev. Code Sec. 117.38 & Ohio Admin. Code Sec 117-02-03 (B) - The District did not prepare GAAP basis financial statements. | No | Repeated as finding 2011-01 |

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Jackson Center Local School District (the School District) updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 19, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 15, 2012

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Dave Yost • Auditor of State

JACKSON CENTER LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 12, 2012