



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2000**



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2000 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types For the Fiscal Year Ended June 30, 2000 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - All Governmental Fund Types For the Fiscal Year Ended June 30, 2000 .....	8
Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type For the Fiscal Year Ended June 30, 2000 .....	10
Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 2000 .....	11
Notes to the General-Purpose Financial Statements .....	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	37

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Jackson Center Local School District, Shelby County, (the District), as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

August 24, 2001

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 938,851	\$ 118,506	\$ 72,079	\$ 87,459
Cash with Fiscal Agents		5,548		
Receivables:				
Taxes	1,466,936		90,889	43,787
Accounts	332	429		
Intergovernmental	200			
Accrued Interest	9,710			
Interfund Receivable	8,500			
Materials and Supplies Inventory	5,673			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	34,500			
Fixed Assets, (Net where applicable of Accumulated Depreciation)				
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt				
Amount to be Provided for Retirement of General Long-Term Debt				
<b>Total Assets</b>	<b>\$ 2,464,702</b>	<b>\$ 124,483</b>	<b>\$ 162,968</b>	<b>\$ 131,246</b>
<b>Liabilities</b>				
Accounts Payable	\$ 8,223	\$ 1,253		
Accrued Wages and Benefits	235,324	6,580		
Compensated Absences Payable	5,132			
Interfund Payable		8,500		
Intergovernmental Payable	49,220	921		
Deferred Revenue	1,300,238		82,247	39,319
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	1,598,137	17,254	82,247	39,319
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	8,064	12,520		3,786
Reserved for Inventory	5,673			
Reserved for Advances	8,500			
Designated for Textbook/Instructional	20,881			
Reserved for Budget Stabilization	34,500			
Reserved for Taxes	166,698		8,642	4,431
Designated for Capital Improvement	6,229			
Unreserved:				
Undesignated	616,020	94,709	72,079	83,710
Total Fund Equity	866,565	107,229	80,721	91,927
<b>Total Liabilities and Fund Equity</b>	<b>\$ 2,464,702</b>	<b>\$ 124,483</b>	<b>\$ 162,968</b>	<b>\$ 131,246</b>

See Accompanying Notes to the General Purpose Financial Statements



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$ 16,888	\$ 7,849			\$ 1,241,632 5,548
				1,601,612
				761
	68			268
				9,710
				8,500
	219			5,892
	4,767			4,767
				34,500
	8,976	\$ 1,905,624		1,914,600
			\$ 72,079	72,079
			405,181	405,181
<u>\$ 30,918</u>	<u>\$ 7,849</u>	<u>\$ 1,905,624</u>	<u>\$ 477,260</u>	<u>\$ 5,305,050</u>
\$ 200				\$ 9,676
10,033				251,937
4,408			218,494	228,034
				8,500
7,440			33,766	91,347
2,791				1,424,595
	7,849			7,849
			225,000	225,000
<u>24,872</u>	<u>7,849</u>		<u>477,260</u>	<u>2,246,938</u>
		1,905,624		1,905,624
	6,046			6,046
				24,370
				5,673
				8,500
				20,881
				34,500
				179,771
				6,229
				866,518
<u>6,046</u>		<u>1,905,624</u>		<u>3,058,112</u>
<u>\$ 30,918</u>	<u>\$ 7,849</u>	<u>\$ 1,905,624</u>	<u>\$ 477,260</u>	<u>\$ 5,305,050</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>				<b>Total (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Revenues:</b>					
Property Taxes	\$1,483,754		\$87,485	\$45,219	\$1,616,458
Intergovernmental	1,210,386	\$156,737	7,633	3,830	1,378,586
Interest	81,731				81,731
Tuition and Fees	326,617	1,340			327,957
Rent	3,100				3,100
Extracurricular Activities		69,924			69,924
Miscellaneous	25,438	9,584			35,022
<b>Total Revenues</b>	<b>3,131,026</b>	<b>237,585</b>	<b>95,118</b>	<b>49,049</b>	<b>3,512,778</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,481,868	63,824		6,102	1,551,794
Special	229,464	89,608			319,072
Vocational	48,990				48,990
Support Services:					
Pupils	133,061	5,524			138,585
Instructional Staff	157,313	7,487			164,800
Board of Education	9,749				9,749
Administration	309,656	2,406		8,238	320,300
Fiscal	138,106	3,199	1,802	935	144,042
Operation and Maintenance of Plant	248,456				248,456
Pupil Transportation	100,817				100,817
Operation of Non-Instructional Services:					
Extracurricular Activities	65,825	69,307			135,132
Capital Outlay	27,615	14,532		30,077	72,224
Debt Service:					
Principal Retirement			55,000		55,000
Interest and Fiscal Charges			20,516		20,516
<b>Total Expenditures</b>	<b>2,950,920</b>	<b>255,887</b>	<b>77,318</b>	<b>45,352</b>	<b>3,329,477</b>
Excess of Revenues Over (Under) Expenditures	180,106	(18,302)	17,800	3,697	183,301
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	500				500
Refund of Prior Year Expenditures	10				10
Transfer - In		1,200			1,200
Transfer - Out	(1,200)				(1,200)
<b>Total Other Financing Sources (Uses)</b>	<b>(690)</b>	<b>1,200</b>	<b>0</b>	<b>0</b>	<b>510</b>
Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses	179,416	(17,102)	17,800	3,697	183,811
Fund Balances at Beginning of Year (restated)	687,149	124,331	62,921	88,230	962,631
<b>Fund Balances at End of Year</b>	<b>\$866,565</b>	<b>\$107,229</b>	<b>\$80,721</b>	<b>\$91,927</b>	<b>\$1,146,442</b>

See Accompanying Notes to the General Purpose Financial Statements

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$1,382,235	\$1,430,712	\$48,477
Intergovernmental	1,158,962	1,210,286	51,324
Interest	44,000	72,021	28,021
Tuition and Fees	309,100	326,333	17,233
Rent	3,600	3,100	(500)
Extracurricular Activities			
Miscellaneous	11,900	27,688	15,788
<b>Total Revenues</b>	<b>2,909,797</b>	<b>3,070,140</b>	<b>160,343</b>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,532,533	1,500,093	32,440
Special	261,846	221,693	40,153
Vocational	49,177	48,952	225
Support Services:			
Pupils	159,405	138,491	20,914
Instructional Staff	158,857	154,948	3,909
Board of Education	15,750	9,849	5,901
Administration	340,443	310,827	29,616
Fiscal	165,921	138,791	27,130
Operation and Maintenance of Plant	258,405	242,639	15,766
Pupil Transportation	118,703	116,076	2,627
Operation of Non-Instructional Services:			
Extracurricular Activities	75,000	66,224	8,776
Capital Outlay	67,500	27,615	39,885
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<b>3,203,540</b>	<b>2,976,198</b>	<b>227,342</b>
Excess of Revenues Over (Under) Expenditures	(293,743)	93,942	387,685
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Fixed Assets	100	500	400
Refund of Prior Year Expenditures	7,600	1,434	(6,166)
Transfers-In			
Transfer-Out	(1,200)	(1,200)	
Advances - In			
Advances - Out		(8,500)	(8,500)
<b>Total Other Financing Sources (Uses)</b>	<b>6,500</b>	<b>(7,766)</b>	<b>(14,266)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(287,243)	86,176	373,419
Fund Balances at Beginning of Year	831,911	831,911	
Prior Year Encumbrances Appropriated	16,914	16,914	
<b>Fund Balances at End of Year</b>	<b>\$561,582</b>	<b>\$935,001</b>	<b>\$373,419</b>

See Accompanying Notes to the General Purpose Financial Statements

Special Revenue			Debt Service			Capital Project		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$127,688	\$129,953	\$2,265	\$80,000	\$84,930	\$4,930	\$43,500	\$44,052	\$552
1,400	1,340	(60)	7,200	7,633	433	24,300	3,830	(20,470)
70,100	69,900	(200)						
3,700	9,358	5,658						
202,888	210,551	7,663	87,200	92,563	5,363	67,800	47,882	(19,918)
87,830	63,726	24,104				29,467	9,698	19,769
77,901	70,952	6,949						
2,274	2,259	15						
2,700	2,572	128						
6,162	2,406	3,756				11,715	8,478	3,237
3,217	3,199	18	2,400	1,802	598	1,500	935	565
						20,000	17,206	2,794
95,484	79,088	16,396						
14,550	14,532	18				34,000	30,077	3,923
			55,000	55,000				
			20,516	20,516				
290,118	238,734	51,384	77,916	77,318	598	96,682	66,394	30,288
(87,230)	(28,183)	59,047	9,284	15,245	5,961	(28,882)	(18,512)	10,370
1,200	1,200							
	8,500	8,500						
1,200	9,700	8,500						
(86,030)	(18,483)	67,547	9,284	15,245	5,961	(28,882)	(18,512)	10,370
120,632	120,632		56,834	56,834		93,504	93,504	
2,843	2,843					8,681	8,681	
\$37,445	\$104,992	\$67,547	\$66,118	\$72,079	\$5,961	\$73,303	\$83,673	\$10,370

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$98,088
Tuition	1,385
Classroom and Materials	250
Miscellaneous	<u>88</u>
Total Operating Revenue	99,811
<b>Operating Expenses:</b>	
Salaries & Wages	67,450
Fringe Benefits	18,884
Purchased Services	6,514
Material & Supplies	490
Cost of Sales	72,096
Depreciation	<u>270</u>
Total Operating Expenses	<u>165,704</u>
Net Income (Loss)	(65,893)
<b>Non-Operating Revenues:</b>	
Intergovernmental Revenue	27,569
Federal Donated Commodities	18,680
Interest	<u>839</u>
Total Non-Operating Revenue/Expenses	<u>47,088</u>
Excess of revenue over expenses	(18,805)
Retained Earnings at Beginning of Year-Restated	<u>24,851</u>
Retained Earnings at End of Year	<u><u>\$6,046</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$99,723
Other Operating Receipts	88
Cash Payments for Employee Services and Benefits	(86,649)
Cash Payments to Suppliers for Goods and Services	<u>(60,612)</u>
Net Cash Used In Operating Activities	(47,450)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	31,022
Cash Flows from Investing Activities:	
Interest	<u>839</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(15,589)
Cash and Cash Equivalents Beginning of Year	<u>32,477</u>
Cash and Cash Equivalents End of Year	<u><u>\$16,888</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>	
Operating Income (Loss)	(\$65,893)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation	270
Donated Commodities Received	18,680
Changes in Assets and Liabilities:	
(Increase)/Decrease in Inventory Held for Resale	191
Increase/(Decrease) in Accounts Payable	(383)
Increase/(Decrease) in Accrued Salaries Payable	898
Increase/(Decrease) in Intergovernmental Payable	29
Increase/(Decrease) in Compensated Absences Payable	<u>(1,242)</u>
Net Cash Used In Operating Activities	<u><u>(\$47,450)</u></u>

*See Accompanying Notes to the General Purpose Financial Statements*

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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 which are staffed by 25 non-certificated employees, 41 certificated full-time teaching personnel and three administrative employees that provide services to 557 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 Township (Auglaize) and Stokes Township (Logan). The District is the 588th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

**A. Reporting Entity**

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

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or 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. The District does not have any component units.

The District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Cooperative (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and Shelby County Local Professional Development Consortium, jointly governed organizations. The District is also associated with the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 14 and 15 to the general-purpose financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary fund) are accounted for through governmental funds. The following are the District's governmental fund types:

**General Fund**

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

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

**Debt Service Fund**

The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Project Funds**

The capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

**2. Proprietary Fund Type:**

Proprietary funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's proprietary fund type:

**Enterprise Fund**

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group**

This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary or trust funds.

**General Long-Term Obligations Account Group**

This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary or trust funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. The proprietary fund's operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available as an advance, taxpayer-assessed income taxes, interest, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The special revenue funds grant activity that is administered by a fiscal agent is not budgeted by the District. The legal level of budgetary control is at the function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and Advances out are not required by state statute to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**1. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Shelby County Budget Commission for rate determination.

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency funds, consistent with statutory provisions.

**4. Encumbrances**

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for the proprietary fund.

**5. Lapsing of Appropriations**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2000, investments were limited to certificates of deposit, which are reported at cost.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2000 amounted to \$81,731, which includes \$18,341 assigned from other District funds. In addition, the proprietary fund received \$839 in interest.

The balance of various grant activity administered by another governmental agency, and held with the fiscal agent outside the District Treasury, is presented on the balance sheet as "cash with fiscal agent" and represents deposits.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

**E. Inventory**

Inventories of governmental funds are stated at cost while inventories of the proprietary fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds, which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of the proprietary fund consist of donated food, purchased food, and purchased non-foods and are expensed when used.

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 17 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of three hundred dollars.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund is computed using the straight-line method over an estimated useful life of 5 to 20 years. Improvements to fund fixed assets are capitalized and depreciated over the remaining useful lives of the related fixed assets.

**H. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

**General Fund**

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allowance

**Non-Reimbursable Grants**

**Special Revenue Funds**

- Education Management Information Systems
- Title VI-B
- Title I
- Title VI
- Professional Development Grant
- School Net Professional Development
- Eisenhower Grant Title II
- Pre-School Grant
- Drug Free Grant Title IV
- Title VI-R
- School Improvement Incentive

**Capital Projects**

- School Net Plus
- IVDL Grant

**Reimbursable Grants**

**Special Revenue Fund**

- Telecommunications Act Grant

**Proprietary Funds**

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 39 percent of the District's governmental fund revenue during the 2000 fiscal year.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that have been identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after ten years of current service with the District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligation account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

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

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and pension obligations that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available resources. Bonds are reported as a liability of the general long-term debt account group until due.

**K. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

**L. Fund Balance Reserves and Designations**

The District records reservations for portions of fund equity which are legally segregated for specific future use, or which do not represent available expendable resources and therefore are not available for appropriation, or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund equity reserves have been established for encumbrances, inventories of supplies and material, budget stabilization, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The designations for textbooks/instructional materials and capital improvement represent revenue set-asides that exceeded statutorily required amounts.

**M. Estimates**

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

**N. Total Columns on General Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND EQUITY**

For the year ended June 30, 2000, the District has presented, for the first time, financial statements by fund type and account group in accordance with generally accepted accounting principles. In conjunction with this presentation, the District has changed its basis of accounting from a cash basis to the modified accrual basis of accounting for its governmental and agency fund types and to the accrual basis for its proprietary fund. This change required that certain adjustments be recorded to the July 1, 1999 fund balances/retained earnings as previously reported to reflect the prior year's effect of adopting these new accounting principles. The restatements to the opening fund balances/retained earnings are as follows:

<u>Fund Type/Fund</u>	<u>Previously Stated Balance at 6/30/99</u>	<u>Adjustments</u>	<u>Restated Balance at 7/1/99</u>
Governmental Funds:			
General	\$848,825	(\$161,676)	\$687,149
Special Revenue	123,475	856	124,331
Debt Service	56,834	6,087	62,921
Capital Projects	102,185	(13,955)	88,230
Proprietary Funds:			
Enterprise	32,477	(7,626)	24,851
Fiduciary Funds:			
Agency	10,844	(10,844)	0

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual-All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund (GAAP basis).
4. The District does not budget for the activities of various grants administered by the fiscal agent who collects and expends the funds on behalf of the District. However, the activities of the fiscal agent are included in the special revenue funds for GAAP reporting purposes.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$179,416	\$(17,102)	\$17,800	\$ 3,697
Revenue Accruals	(59,462)	12,796	(2,555)	(1,167)
Expenditure Accruals	3,478	839	0	(17,256)
Excess or Revenue over (under) Expenditures for Non-Budgeted Funds		(1,501)		
Encumbrances Outstanding at Year-end (Budget Basis)	(37,256)	(13,515)	0	(3,786)
Budget Basis	<u>\$ 86,176</u>	<u>\$(18,483)</u>	<u>\$15,245</u>	<u>\$(18,512)</u>

**5. 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Interim monies 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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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 the division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio)
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Investments in stripped principal or interest obligation, 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

At fiscal year end, the District had \$150 in undeposited cash on hand, which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

The "Cash and Cash Equivalents with Fiscal Agent" of \$5,548 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$1,275,982 and the bank balance was \$1,328,834. Of the bank balance, \$260,092 was covered by federal depository insurance; and \$1,068,742 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County held to a successful claim by the FDIC

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the District's fiscal year runs from July through June. First half tax distributions are received by the District in the second half of the fiscal year. Second half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. For 2000, real property tax levied after April 1, 2000, on the assessed values as of January 1, 2000, 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 real and tangible personal property taxes were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. For 2000, tangible personal property taxes were levied after April 1, 1999, on the value as of December 31, 1998, the lien date. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**6. PROPERTY TAXES (Continued)**

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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes which were measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000 was \$166,698 in the general fund, \$8,642 in the debt service bond retirement fund, and \$4,431 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	<u>1999 Second- Half Collections</u>		<u>2000 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential And Other Real Estate	\$32,616,320	66%	\$34,960,250	66%
Public Utility	2,754,910	6%	2,976,420	6%
Tangible Personal Property	14,292,020	28%	14,461,524	28%
Total Assessed Value	<u>\$49,663,250</u>	<u>100%</u>	<u>\$52,398,194</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$42.0		\$42.0	

**7. RECEIVABLES**

Receivables at June 30, 2000, consisted of property and income taxes, accounts (billings for user charged services and student fees), interest, inter-fund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

**8. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$ 85,826
Less Accumulated Depreciation	<u>(76,850)</u>
Net Fixed Assets	<u>\$ 8,976</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**8. FIXED ASSETS (Continued)**

A summary of the change in general fixed assets during fiscal year 2000 follows:

<b>Asset Category</b>	<b>Balance at 06/30/99</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 06/30/00</b>
Land and Improvements	\$38,002	\$ 0	\$ 0	\$38,002
Buildings and Improvements	904,246	0	0	904,246
Furniture, Fixtures and Equipment	663,684	88,566	16,671	735,579
Vehicles	234,520	17,079	23,802	227,797
Totals	<u>\$1,840,452</u>	<u>\$105,645</u>	<u>\$40,473</u>	<u>\$1,905,624</u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District contracted with Nationwide Insurance Company through Eilerman Insurance Agency for property and fleet insurance, and inland marine coverage. The District contracted with Nationwide Mutual Insurance Company through Harcum Insurance Agency for liability insurance.

Coverages provided by Nationwide Insurance Company are as follows:

Building and Contents - replacement cost	\$13,464,800	(\$1,000 deductible)
Inland Marine Coverage (\$250 deductible)	65,000	
Automobile Liability	1,000,000	
Uninsured Motorists	1,000,000	

Coverages provided by Nationwide Mutual Insurance Company are as follows:

General Liability	
Per occurrence	1,000,000
Aggregate	3,000,000

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

**B. Medical, Dental and Life Insurance Benefits**

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 15) consisting of seven school districts and an educational service center. The District pays monthly premiums to Anthem Blue Cross/Blue Shield for medical and dental benefits, and also pays a monthly premium to Medical Life for life insurance benefits.

**C. Worker's Compensation**

For fiscal year 2000, the District participated in the Southwestern Ohio Educational Purchasing Cooperative, Workers' Compensation Group Grating Program, an insurance purchasing pool (Note 15). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its premium based on the rate for the plan, rather than its rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the Plan. A participant will then either receive money from, or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The school districts apply for participation each year. The firm of CompManagement provides administrative, cost control, and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2000, 5.55 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory requirements, by the SERS's Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$21,438, \$28,605 and \$26,402 respectively; 63 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$8,008 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ending June 30, 2000, 1999, and 1998 were \$101,985, \$96,774, and \$157,395, respectively; 83.5 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$16,803 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**11. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$135,980 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 million at June 30, 1999 (latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year June 30, 2000, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

For the District, the amount to fund health care benefits, including the surcharge, equaled \$45,390 during the 2000 fiscal year.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**12. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to the classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 170 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days for certified employees and 35 days for classified employees.

**B. Health Care Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Medical Life. The District has elected to provide employee medical/surgical benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the District to most employees through Anthem. Vision care insurance is provided by the District to most employees through VisionPlus.

**13. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2000 were as follows:

	<b>Principal Outstanding 6/30/99</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/00</b>
School Improvement Bond 1980	\$280,000	\$0	\$55,000	\$225,000
Intergovernmental Payable	29,286	33,766	29,286	33,766
Compensated Absences	214,717	3,777	0	218,494
Total Long-Term Obligations	<u>\$524,003</u>	<u>\$37,543</u>	<u>\$84,286</u>	<u>\$477,260</u>

**A. Jackson Center Local School Improvement Bonds**

School Building Addition General Obligation Bonds – In 1980, the District issued \$1,272,000 in voted general obligation bonds for the purpose of constructing improvements and additions to existing school buildings and providing furnishings, equipment, and site development. The bonds were issued for a twenty-three-year period with final maturity at December 1, 2003. The bonds will be retired from the Debt Service fund.

**B. Intergovernmental Payable**

Intergovernmental payable consists of SERS and SERS surcharge liabilities that will not be paid with current available expendable financial resources, and will be paid from the fund from which the employees' salaries are paid.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

Compensated absences will be paid from the fund from which the employees' salaries are paid. This includes possible sick leave severance, accumulated vacation and separation severance.

The District's overall legal debt margin was \$4,715,837, and unvoted debt margin of \$52,398 at June 30, 2000.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2000, are as follows:

<u>Fiscal year Ending June 30</u>	<u>Bonds Payable</u>
2001	\$ 71,046
2002	66,578
2003	62,109
2004	62,438
Total	<u>\$ 262,171</u>

**14. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization (WOCO)** - The District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent.

WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the District. The District paid WOCO \$13,138 for services provided during the year. Financial information can be obtained from Sonny Ivy, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to may 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 made from the General Fund amount to \$532. To obtain financial information, write the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**14. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**Southwestern Ohio Instructional Technology Association (SOITA)** - (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 institution. 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. 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 as 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. During fiscal year 2000, the District paid \$463 to SOITA. To obtain financial information, write to the Southwestern Ohio Instruction Television Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Shelby County Local Professional Development Consortium** - The School District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County.

The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The School District had no financial transactions with the Consortium during fiscal year 2000. Financial information can be obtained from Louis Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

**15. GROUP PURCHASING POOLS**

**Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan** - The District participates in a group rating plan for workers' compensation as established under section 4123.29 of the Ohio Revised Code. The Southwestern Ohio EPC established this pool and CompManagement provides consultant services in the management of the program. Each year, the participating school districts pay an enrollment fee to the Southwestern Ohio EPC to cover the costs of administering the program.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**15. GROUP PURCHASING POOLS (Continued)**

**Shelby County Schools Consortium** - The Shelby County Schools Consortium is a group purchasing pool among seven local school districts and the Shelby County Educational Service Center. This group purchasing pool formed a voluntary employee benefit association to provide sick and dental and life benefits to participants at a lower rate than if the individual districts acted independently. Each district pays a monthly premium to Anthem Blue Cross/Blue Shield for health and dental coverage and to Medical Life for life coverage. The Plan is governed by an administrative committee consisting of the superintendent from each participating district.

**16. SCHOOL FUNDING COURT DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system.

Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$1,099,777 of school foundation support for its general fund. Since the ruling by the Ohio Supreme Court numerous pieces of legislation have been passed in an attempt to address the issues identified by the Ohio Supreme Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution.

The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**17. SET-ASIDE CALCULATIONS**

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**17. SET-ASIDE CALCULATIONS (Continued)**

The following information describes the changes in amounts set-aside for textbooks and instructional materials, and capital improvements from the end of the prior year to the end of the current year. Disclosure of this information is required by State statute. We have also disclosed the change in reserve for school bus purchases.

**Budget Stabilization**

Set-aside balance carried forward from the prior year	\$ 34,500
Current year set-aside requirement	<u>0</u>
Balance of set-aside to be carried forward to next year	<u><u>\$ 34,500</u></u>

**Textbooks and Instructional Materials**

Set-aside balance carried forward from the prior year	\$ 20
Current year set-aside requirement	64,745
Qualifying expenditures made during the year	
Amount of offsets for the year	<u>(64,765)</u>
Total	<u>0</u>
Balance of set-aside to be carried forward to next year	<u><u>\$ 0</u></u>

**Capital Improvements**

Set-aside balance carried forward from the prior year	\$ 2,715
Current year set-aside requirement	64,745
Qualifying expenditures made during the year	(23,408)
Amount of offsets for the year	<u>(44,052)</u>
Total	<u>0</u>
Balance of set-aside to be carried forward to next year	<u><u>\$ 0</u></u>

**School Bus Purchase**

Set-aside balance carried forward from the prior year	\$ 0
Current year set-aside requirement	5,817
Qualifying expenditures made during the year	(5,817)
Amount of offsets for the year	<u>0</u>
Total	<u>0</u>
Balance of set-aside to be carried forward to next year	<u><u>\$ 0</u></u>

Amounts of offsets and qualifying disbursements presented in these tables were limited to those amounts necessary to reduce the year-end balance to zero. Although the District may have had additional offsets and qualifying disbursements during the year, these amounts may not be used to reduce the set-aside requirements of future years, and are therefore not presented.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000  
(Continued)**

**18. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

**B. Litigation**

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza  
130 West Second Street  
Suite 2040  
Dayton, Ohio 45402  
Telephone 937-285-6677  
800-443-9274  
Facsimile 937-285-6688  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Members of the Board of Education:

We have audited the financial statements of the Jackson Center Local School District (the District), Shelby County, as of and for the year ended June 30, 2000, and have issued our report thereon dated August 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated August 24, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated August 24, 2001.

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

**Jim Petro**  
Auditor of State

August 24, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**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  
SEPTEMBER 13, 2001**