

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

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

FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

TAMMY WOODS, TREASURER



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Johnstown-Monroe Local School District, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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BETTY MONTGOMERY
Auditor of State

February 24, 2006

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

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the District has presented a prior year adjustment to restate net assets at July 1, 2004 due to correction of errors in capital assets, which is described in more detail in Note 3.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditor's Report
Johnstown-Monroe Local School District

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.
October 27, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The management's discussion and analysis of the Johnstown-Monroe Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities increased \$1,206,178 which represents a 48.95% increase from 2004.
- General revenues accounted for \$10,883,735 in revenue or 88.48% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,416,785 or 11.52% of total revenues of \$12,300,520.
- The District had \$11,094,342 in expenses related to governmental activities; \$1,416,785 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,883,735 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$11,235,464 in revenues and other financing sources and \$9,934,156 in expenditures and other financing uses. During fiscal year 2005, the general fund's fund balance increased \$1,301,308 from \$588,256 to \$1,889,564.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The District as a Whole

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Restated Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 6,974,835	\$ 5,368,802
Capital assets	<u>2,537,613</u>	<u>2,685,567</u>
Total assets	<u>9,512,448</u>	<u>8,054,369</u>
<u>Liabilities</u>		
Current liabilities	4,644,691	4,304,483
Long-term liabilities	<u>1,197,650</u>	<u>1,285,957</u>
Total liabilities	<u>5,842,341</u>	<u>5,590,440</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,105,282	2,107,317
Restricted	135,139	283,049
Unrestricted	<u>1,429,686</u>	<u>73,563</u>
Total net assets	<u>\$ 3,670,107</u>	<u>\$ 2,463,929</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$3,670,107. Of this total, \$1,429,686 is unrestricted in use.

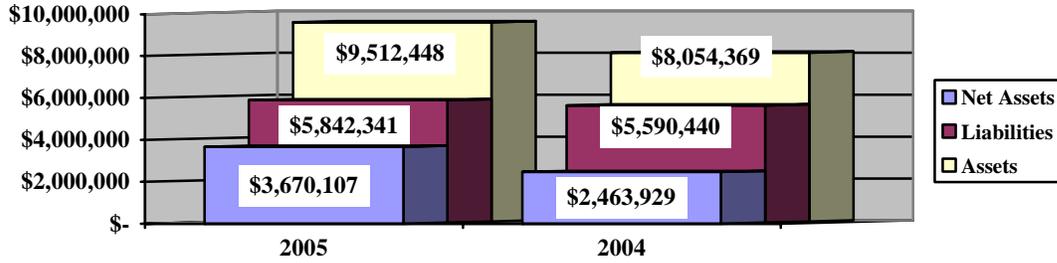
At year-end, capital assets represented 26.68% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$2,105,282. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$135,139, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,429,686 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Governmental Activities



The table below shows the change in net assets for fiscal year 2005 and 2004.

Change in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 821,675	\$ 802,589
Operating grants and contributions	583,875	520,707
Capital grants and contributions	11,235	43,352
General revenues:		
Property taxes	3,845,654	3,971,052
School district income taxes	1,608,596	173,675
Grants and entitlements	5,351,780	5,106,314
Investment earnings	43,655	16,338
Other	<u>34,050</u>	<u>51,567</u>
 Total revenues	 <u>12,300,520</u>	 <u>10,685,594</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Change in Net Assets

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,378,550	\$ 4,794,251
Special	912,207	831,760
Vocational	185,276	218,160
Support services:		
Pupil	473,212	513,963
Instructional staff	395,207	332,868
Board of education	65,079	45,041
Administration	783,727	717,970
Fiscal	273,059	291,079
Operations and maintenance	1,028,157	822,206
Pupil transportation	693,104	633,100
Central	76,286	86,006
Food service operations	332,459	304,007
Operations of non-instructional services	1,624	1,633
Extracurricular activities	464,242	445,284
Interest and fiscal charges	<u>32,153</u>	<u>44,503</u>
Total expenses	<u>11,094,342</u>	<u>10,081,831</u>
Change in net assets	1,206,178	603,763
Net assets at beginning of year	<u>2,463,929</u>	<u>1,860,166</u>
Net assets at end of year	<u><u>\$ 3,670,107</u></u>	<u><u>\$ 2,463,929</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,206,178. Total governmental expenses of \$11,094,342 were offset by program revenues of \$1,416,785 and general revenues of \$10,883,735. Program revenues supported 12.77% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These revenue sources represent 87.85% of total governmental revenue.

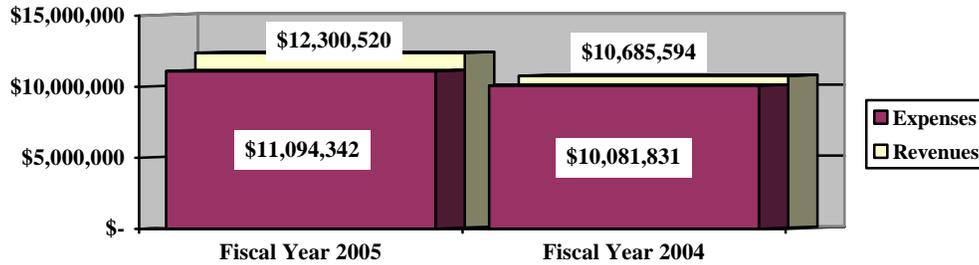
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,476,033 or 58.37% of total governmental expenses for fiscal 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

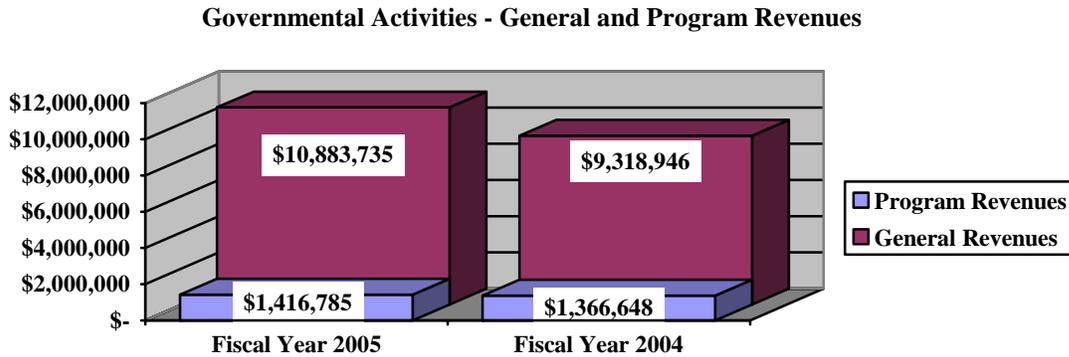
	Total Cost of Services 2005	Net Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2004
Program expenses				
Instruction:				
Regular	\$ 5,378,550	\$ 4,929,904	\$ 4,794,251	\$ 4,267,152
Special	912,207	579,132	831,760	647,026
Vocational	185,276	161,171	218,160	195,400
Support services:				
Pupil	473,212	420,361	513,963	481,221
Instructional staff	395,207	376,889	332,868	307,251
Board of education	65,079	65,079	45,041	45,041
Administration	783,727	783,727	717,970	717,970
Fiscal	273,059	273,059	291,079	291,079
Operations and maintenance	1,028,157	1,028,157	822,206	818,475
Pupil transportation	693,104	667,881	633,100	633,100
Central	76,286	49,750	86,006	60,217
Food service operations	332,459	24,852	304,007	(5,356)
Operations of non-instructional services	1,624	246	1,633	1,426
Extracurricular activities	464,242	285,196	445,284	210,678
Interest and fiscal charges	32,153	32,153	44,503	44,503
Total expenses	<u>\$ 11,094,342</u>	<u>\$ 9,677,557</u>	<u>\$ 10,081,831</u>	<u>\$ 8,715,183</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 87.56% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.23%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,054,997, which is higher than last year's total of \$825,699. The June 30, 2004 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance <u>June 30, 2005</u>	Restated Fund Balance <u>June 30, 2004</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,889,564	\$ 588,256	\$ 1,301,308	221.21 %
Other Governmental	<u>165,433</u>	<u>237,443</u>	<u>(72,010)</u>	(30.33) %
Total	<u>\$ 2,054,997</u>	<u>\$ 825,699</u>	<u>\$ 1,229,298</u>	148.88 %

General Fund

The District's general fund balance increased \$1,301,308 (after a restatement to the June 30, 2004, fund balance which is detailed in Note 3.A. to the basic financial statements). The increase in fund balance can be attributed to several items related to increasing revenues and increased expenditures. Revenues exceed expenditures for fiscal year 2005 by \$1,335,531. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	Increase (Decrease) <u></u>	Percentage Change <u></u>
<u>Revenues</u>				
Taxes	\$ 5,409,783	\$ 4,110,922	\$ 1,298,861	31.60 %
Tuition	335,655	299,734	35,921	11.98 %
Earnings on investments	44,263	15,374	28,889	187.91 %
Intergovernmental	5,348,965	5,100,597	248,368	4.87 %
Other revenues	<u>88,047</u>	<u>108,879</u>	<u>(20,832)</u>	(19.13) %
 Total	 <u>\$ 11,226,713</u>	 <u>\$ 9,635,506</u>	 <u>\$ 1,591,207</u>	 16.51 %
<u>Expenditures</u>				
Instruction	\$ 5,922,369	\$ 5,536,413	\$ 385,956	6.97 %
Support services	3,670,655	3,259,444	411,211	12.62 %
Extracurricular activities	247,006	221,719	25,287	11.40 %
Facilities acquisition and construction	306	35,939	(35,633)	(99.15) %
Debt service	<u>50,846</u>	<u>71,078</u>	<u>(20,232)</u>	(28.46) %
 Total	 <u>\$ 9,891,182</u>	 <u>\$ 9,124,593</u>	 <u>\$ 766,589</u>	 8.40 %

General Fund Budgeting Highlights

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

During the course of fiscal 2005, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,828,039 and final budgeted revenues and other financing sources were \$11,527,804. Actual revenues and other financing sources for fiscal 2005 was \$11,140,444. This represents a \$387,360 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,271,612 were increased to \$10,617,074 in the final appropriations. The actual budget basis expenditures for fiscal year 2005 totaled \$10,487,753, which was \$129,321 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$2,537,613 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. Capital assets as of June 30, 2004 have been restated as detailed in Note 3.B. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 280,961	\$ 280,961
Land improvements	232,681	269,534
Building and improvements	1,004,156	1,039,451
Furniture and equipment	987,807	1,045,128
Vehicles	32,008	50,493
Total	\$ 2,537,613	\$ 2,685,567

The overall decrease in capital assets of \$147,954 is due to depreciation expense of \$253,488 exceeding capital outlays of \$105,534 in the fiscal year.

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

Debt Administration

At June 30, 2005, the District had \$75,000 in general obligation bonds and \$281,609 in energy conservation notes outstanding. Of this total, \$104,533 is due within one year and \$252,076 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ 75,000	\$ 150,000
Energy conservation notes	281,609	309,745
Total	\$ 356,609	\$ 459,745

At June 30, 2005, the District's overall legal debt margin was \$16,445,643, and an unvoted debt margin of \$182,656.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Current Financial Related Activities

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

The District currently has a sufficient cash balance to meet projected operating expenses through fiscal year 2008. Beginning in fiscal year 2006, projected expenditures exceed projected revenues. The next challenge facing the District is the rapid increase in enrollment over the next several years. These projected increases are due to planned residential growth in the District. The District is currently utilizing five modular classrooms to house students. The last five attempts to pass a building bond levy have not passed. The District is currently investigating the options available to house the growing student enrollment. The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations. The passage of house bill 66 leaves the District receiving less money from the state in fiscal year 2006 than it received in fiscal year 2005. The District does not anticipate a significant growth in State revenue.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Tamara Woods, Treasurer, Johnstown-Monroe Local School District, 441 S. Main Street, Johnstown, Ohio 43031.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 1,769,302
Receivables:	
Taxes	5,153,186
Accounts	1,120
Accrued Interest	4,088
Intergovernmental	13,273
Prepayments	11,501
Materials and supplies inventory	22,365
Capital assets:	
Land	280,961
Depreciable capital assets, net	2,256,652
Capital assets, net.	2,537,613
 Total assets.	 9,512,448
Liabilities:	
Accounts payable.	22,955
Accrued wages and benefits	794,653
Pension obligation payable.	196,105
Intergovernmental payable	40,164
Deferred revenue	3,587,614
Accrued interest payable	3,200
Long-term liabilities:	
Due within one year.	225,736
Due in more than one year	971,914
Total liabilities	5,842,341
Net Assets:	
Invested in capital assets, net of related debt.	2,105,282
Restricted for:	
Debt service.	78,431
Locally funded programs.	3,275
State funded programs.	17,866
Federally funded programs.	26,484
Student activities.	9,083
Unrestricted.	1,429,686
Total net assets	\$ 3,670,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 5,378,550	\$ 399,828	\$ 37,583	\$ 11,235	\$ (4,929,904)
Special	912,207	-	333,075	-	(579,132)
Vocational	185,276	-	24,105	-	(161,171)
Support services:					
Pupil.	473,212	-	52,851	-	(420,361)
Instructional staff	395,207	-	18,318	-	(376,889)
Board of education	65,079	-	-	-	(65,079)
Administration.	783,727	-	-	-	(783,727)
Fiscal.	273,059	-	-	-	(273,059)
Operations and maintenance	1,028,157	-	-	-	(1,028,157)
Pupil transportation.	693,104	25,223	-	-	(667,881)
Central	76,286	-	26,536	-	(49,750)
Operation of non-instructional services:					
Food service operations	332,459	217,578	90,029	-	(24,852)
Other non-instructional services	1,624	-	1,378	-	(246)
Extracurricular activities.	464,242	179,046	-	-	(285,196)
Interest and fiscal charges	32,153	-	-	-	(32,153)
Total governmental activities	<u>\$ 11,094,342</u>	<u>\$ 821,675</u>	<u>\$ 583,875</u>	<u>\$ 11,235</u>	<u>(9,677,557)</u>

General Revenues:

Property taxes levied for:	
General purposes	3,833,444
Debt service.	12,210
School district income taxes	1,608,596
Grants and entitlements not restricted	
to specific programs.	5,351,780
Investment earnings	43,655
Miscellaneous	34,050
Total general revenues.	<u>10,883,735</u>
Change in net assets	1,206,178
Net assets at beginning of year (restated).	<u>2,463,929</u>
Net assets at end of year	<u>\$ 3,670,107</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 1,581,604	\$ 187,698	\$ 1,769,302
Receivables:			
Taxes	5,153,186	-	5,153,186
Accounts	161	959	1,120
Intergovernmental	4,524	8,749	13,273
Accrued interest	4,088	-	4,088
Prepayments	11,501	-	11,501
Materials and supplies inventory	13,880	8,485	22,365
Total assets	<u>\$ 6,768,944</u>	<u>\$ 205,891</u>	<u>\$ 6,974,835</u>
Liabilities:			
Accounts payable	\$ 22,134	\$ 821	\$ 22,955
Accrued wages and benefits	773,360	21,293	794,653
Compensated absences payable	72,924	-	72,924
Pension obligation payable.	178,588	17,517	196,105
Intergovernmental payable.	39,337	827	40,164
Deferred revenue.	3,793,037	-	3,793,037
Total liabilities	<u>4,879,380</u>	<u>40,458</u>	<u>4,919,838</u>
Fund Balances:			
Reserved for encumbrances	150,005	37,537	187,542
Reserved for materials and supplies inventory.	13,880	8,485	22,365
Reserved for prepayments	11,501	-	11,501
Reserved for property tax unavailable for appropriation	365,949	-	365,949
Reserved for debt service.	-	81,631	81,631
Unreserved:			
Designated for budget stabilization.	463,743	-	463,743
Undesignated, reported in:			
General fund	884,486	-	884,486
Special revenue funds	-	37,780	37,780
Total fund balances	<u>1,889,564</u>	<u>165,433</u>	<u>2,054,997</u>
Total liabilities and fund balances	<u>\$ 6,768,944</u>	<u>\$ 205,891</u>	<u>\$ 6,974,835</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances	\$	2,054,997
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,537,613
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		205,423
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(3,200)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(692,395)	
Energy conservation notes	(281,609)	
General obligation bonds payable	(75,000)	
Capital lease obligation	(75,722)	
Total		(1,124,726)
Net assets of governmental activities	\$	3,670,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 5,409,783	\$ 14,763	\$ 5,424,546
Tuition	335,655	-	335,655
Transportation fees	25,223	-	25,223
Earnings on investments	44,263	214	44,477
Charges for services	-	217,578	217,578
Extracurricular	-	179,046	179,046
Classroom materials and fees	52,320	7,503	59,823
Other local revenues	10,504	19,145	29,649
Intergovernmental - Intermediate	-	2,017	2,017
Intergovernmental - State	5,348,965	98,770	5,447,735
Intergovernmental - Federal	-	497,138	497,138
Total revenue	<u>11,226,713</u>	<u>1,036,174</u>	<u>12,262,887</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,105,572	142,976	5,248,548
Special	662,872	239,961	902,833
Vocational	153,925	27,520	181,445
Support services:			
Pupil	419,666	49,283	468,949
Instructional staff	370,016	20,834	390,850
Board of education	65,079	-	65,079
Administration	764,185	-	764,185
Fiscal	290,588	-	290,588
Operations and maintenance	1,038,428	-	1,038,428
Pupil transportation	675,758	-	675,758
Central	46,935	29,351	76,286
Operation of non-instructional services:			
Food service operations	-	327,666	327,666
Other non-instructional services	-	1,377	1,377
Extracurricular activities	247,006	183,476	430,482
Facilities acquisition and construction	306	-	306
Debt service:			
Principal retirement	42,783	103,136	145,919
Interest and fiscal charges	8,063	25,578	33,641
Total expenditures	<u>9,891,182</u>	<u>1,151,158</u>	<u>11,042,340</u>
Excess of revenues over (under) expenditures	<u>1,335,531</u>	<u>(114,984)</u>	<u>1,220,547</u>
Other financing sources (uses):			
Transfers in	-	42,974	42,974
Transfers (out)	(42,974)	-	(42,974)
Sale of capital assets	8,751	-	8,751
Total other financing sources (uses)	<u>(34,223)</u>	<u>42,974</u>	<u>8,751</u>
Net change in fund balances	1,301,308	(72,010)	1,229,298
Fund balances			
at beginning of year (restated)	588,256	237,443	825,699
Fund balances at end of year	<u>\$ 1,889,564</u>	<u>\$ 165,433</u>	<u>\$ 2,054,997</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	1,229,298
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 105,534	
Depreciation expense	(253,488)	
Total		(147,954)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		28,882
 Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		145,919
 Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		
		1,488
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(51,455)
Change in net assets of governmental activities	\$	1,206,178

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,886,963	\$ 5,202,784	\$ 4,841,262	\$ (361,522)
Tuition	315,280	335,655	335,655	-
Transportation fees	23,760	25,295	25,223	(72)
Earnings on investments	43,208	46,000	44,263	(1,737)
Classroom materials and fees	49,219	52,400	52,320	(80)
Other local revenues	8,994	9,575	9,564	(11)
Intergovernmental - State	<u>5,043,534</u>	<u>5,369,476</u>	<u>5,345,538</u>	<u>(23,938)</u>
Total revenue	<u>10,370,958</u>	<u>11,041,185</u>	<u>10,653,825</u>	<u>(387,360)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,971,137	5,138,330	5,127,781	10,549
Special	644,846	666,534	661,531	5,003
Vocational	155,771	161,010	160,031	979
Support services:				
Pupil	415,264	429,230	423,775	5,455
Instructional staff	386,841	399,852	374,297	25,555
Board of education	82,333	85,102	77,113	7,989
Administration	742,611	767,587	749,384	18,203
Fiscal	288,769	298,481	284,079	14,402
Operations and maintenance	1,069,770	1,105,749	1,090,964	14,785
Pupil transportation	703,926	727,601	724,950	2,651
Central	65,841	68,055	46,935	21,120
Extracurricular activities	249,209	257,591	255,505	2,086
Facilities acquisition and construction	<u>5,065</u>	<u>5,235</u>	<u>4,691</u>	<u>544</u>
Total expenditures	<u>9,781,383</u>	<u>10,110,357</u>	<u>9,981,036</u>	<u>129,321</u>
Excess of revenues over (under) expenditures	<u>589,575</u>	<u>930,828</u>	<u>672,789</u>	<u>(258,039)</u>
Other financing sources (uses):				
Refund of prior year expenditure	9,862	10,499	10,499	-
Transfers in	435,593	463,743	463,743	-
Transfers (out)	(490,229)	(506,717)	(506,717)	-
Advances in	3,195	3,401	3,401	-
Sale of capital assets	<u>8,431</u>	<u>8,976</u>	<u>8,976</u>	<u>-</u>
Total other financing sources (uses)	<u>(33,148)</u>	<u>(20,098)</u>	<u>(20,098)</u>	<u>-</u>
Net change in fund balance	556,427	910,730	652,691	(258,039)
Fund balance at beginning of year	630,264	630,264	630,264	-
Prior year encumbrances appropriated	<u>126,873</u>	<u>126,873</u>	<u>126,873</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,313,564</u>	<u>\$ 1,667,867</u>	<u>\$ 1,409,828</u>	<u>\$ (258,039)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 217,606	\$ 50,836
Total assets.	<u>217,606</u>	<u>\$ 50,836</u>
Liabilities:		
Accounts payable.	1,500	\$ 3,865
Due to students	<u>-</u>	<u>46,971</u>
Total liabilities	<u>1,500</u>	<u>\$ 50,836</u>
Net Assets:		
Held in trust for scholarships	<u>216,106</u>	
Total net assets	<u>\$ 216,106</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,604
Gifts and contributions.	204,540
	207,144
Deductions:	
Scholarships awarded	36,479
	170,665
Change in net assets	170,665
Net assets at beginning of year	45,441
Net assets at end of year	\$ 216,106

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District currently operates 4 instructional buildings, 1 administrative building and 1 garage. The District employs 44 non-certified and 102 certified (including administrative) full-time and part-time employees to provide services to approximately 1,546 students in grades K through 12 and various community groups, which ranks it 363rd out of 614 public school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association (LACA)

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

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

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

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Licking County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2005.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary comparison statements at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original, appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2005, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), repurchase agreements, and non-negotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

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 and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$44,263 which includes \$8,694 assigned from other funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets. There were no interfund receivables/payables at June 30, 2005.

J. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves/Designations

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

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 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principals

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 639,123	\$ 244,579	\$ 883,702
GASB Technical Bulletin No. 2004-2	<u>(50,867)</u>	<u>(7,136)</u>	<u>(58,003)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 588,256</u>	<u>\$ 237,443</u>	<u>\$ 825,699</u>

B. Prior Period Adjustment

Beginning net assets have been restated due to errors and omissions previously reported in capital assets. The restatement had the following effect on net assets at June 30, 2004.

Net assets June 30, 2004	\$ 2,319,456
Adjustment for capital assets	<u>144,473</u>
Net assets July 1, 2004	<u>\$ 2,463,929</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food service	\$ 2,109
Ohio Reads	16
Title I	288
Drug Free School Grant	10

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$41,831, exclusive of the \$1,637,719 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$58,678 of the District's bank balance of \$258,678 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 1,637,719	\$ 1,637,719
STAR Ohio	<u>358,194</u>	<u>358,194</u>
Total	<u>\$ 1,995,913</u>	<u>\$ 1,995,913</u>

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

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

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

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 1,637,719	82.05
STAR Ohio	<u>358,194</u>	<u>17.95</u>
Total	<u>\$ 1,995,913</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 41,831
Investments	<u>1,995,913</u>
Total	<u>\$ 2,037,744</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 1,769,302
Private-purpose trust fund	217,606
Agency funds	<u>50,836</u>
Total	<u>\$ 2,037,744</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Nonmajor governmental funds	\$ 42,974

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Licking County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$365,949 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$484,163 in the general fund and \$6,916 in the debt service fund.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 168,564,430	92.84	\$ 168,564,430	92.29
Public utility personal	5,607,240	3.09	5,607,240	3.07
Tangible personal property	<u>7,399,810</u>	<u>4.07</u>	<u>8,484,016</u>	<u>4.64</u>
Total	<u>\$ 181,571,480</u>	<u>100.00</u>	<u>\$ 182,655,686</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 42.10		\$ 39.30	
Debt Service	2.90		-	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 5,153,186
Accounts	1,120
Intergovernmental	13,273
Accrued Interest	<u>4,088</u>
Total	<u>\$ 5,171,667</u>

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

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2004 and is in effect for a period of five years, until December 31, 2008. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$1,608,596 for fiscal year 2005. Taxes receivable reported in the basic financial statements includes \$933,373 of income tax receivable.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to errors and omissions. See Note 3.B for detail:

	<u>Balance 06/30/04</u>	<u>Adjustments</u>	<u>Restated Balance 06/30/04</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ 280,961	\$ -	\$ 280,961
Total capital assets, not being depreciated	<u>280,961</u>	<u>-</u>	<u>280,961</u>
Capital assets, being depreciated:			
Land improvements	891,407	-	891,407
Building/improvements	3,727,063	(18,347)	3,708,716
Furniture/equipment	3,012,919	(47,158)	2,965,761
Vehicles	<u>343,602</u>	<u>-</u>	<u>343,602</u>
Total capital assets, being depreciated	<u>7,974,991</u>	<u>(65,505)</u>	<u>7,909,486</u>
Less: accumulated depreciation			
Land improvements	(836,213)	214,340	(621,873)
Building/improvements	(2,669,265)	-	(2,669,265)
Furniture/equipment	(1,916,271)	(4,362)	(1,920,633)
Vehicles	<u>(293,109)</u>	<u>-</u>	<u>(293,109)</u>
Total accumulated depreciation	<u>(5,714,858)</u>	<u>209,978</u>	<u>(5,504,880)</u>
Governmental activities capital assets, net	<u>\$ 2,541,094</u>	<u>\$ 144,473</u>	<u>\$ 2,685,567</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Restated Balance <u>06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/05</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 280,961	\$ -	\$ -	\$ 280,961
Total capital assets, not being depreciated	<u>280,961</u>	<u>-</u>	<u>-</u>	<u>280,961</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	891,407	-	-	891,407
Buildings and improvements	3,708,716	20,013	-	3,728,729
Furniture and equipment	2,965,761	85,521	(5,513)	3,045,769
Vehicles	<u>343,602</u>	<u>-</u>	<u>-</u>	<u>343,602</u>
Total capital assets, being depreciated	<u>7,909,486</u>	<u>105,534</u>	<u>(5,513)</u>	<u>8,009,507</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(621,873)	(36,853)	-	(658,726)
Buildings and improvements	(2,669,265)	(55,308)	-	(2,724,573)
Furniture and equipment	(1,920,633)	(142,842)	5,513	(2,057,962)
Vehicles	<u>(293,109)</u>	<u>(18,485)</u>	<u>-</u>	<u>(311,594)</u>
Total accumulated depreciation	<u>(5,504,880)</u>	<u>(253,488)</u>	<u>5,513</u>	<u>(5,752,855)</u>
Governmental activities capital assets, net	<u>\$ 2,685,567</u>	<u>\$ (147,954)</u>	<u>\$ -</u>	<u>\$ 2,537,613</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 123,745
Special	3,792
Vocational	2,648
<u>Support Services:</u>	
Pupil	914
Instructional staff	10,448
Administration	26,114
Fiscal	1,899
Operations and maintenance	28,690
Pupil transportation	17,346
Operation of non-instructional services	247
Extracurricular activities	33,760
Food service operations	<u>3,885</u>
Total depreciation expense	<u>\$ 253,488</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$289,993. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2005 totaled \$42,783 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 46,800
2007	<u>35,100</u>
Total minimum lease payments	81,900
Less amount representing interest	<u>(6,178)</u>
Total	<u>\$ 75,722</u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. General obligation bonds and energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

The following is a description of the District's bonds and notes outstanding as of June 30, 2005

	<u>Interest</u>	<u>Maturity</u>	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>Rate</u>	<u>Date</u>	<u>Outstanding</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u>	<u>Due in</u>
			<u>06/30/04</u>			<u>06/30/05</u>	<u>One Year</u>
Governmental Activities:							
Auditorium renovation	9.25%	12/01/05	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
Energy conservation note	4.90%	04/22/13	<u>309,745</u>	<u>-</u>	<u>(28,136)</u>	<u>281,609</u>	<u>29,533</u>
Total long-term obligations, governmental activities			<u>\$ 459,745</u>	<u>\$ -</u>	<u>\$ (103,136)</u>	<u>\$ 356,609</u>	<u>\$ 104,533</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note and general obligation bonds:

Year Ending June 30	Principal on General Obligation Bond	Interest on General Obligation Bond	Principal on HB 264 Energy Conservation Note	Interest on HB 264 Energy Conservation Note	Total
2006	\$ 75,000	\$ 3,469	\$ 29,533	\$ 13,441	\$ 121,443
2007	-	-	30,998	11,977	42,975
2008	-	-	32,535	10,439	42,974
2009	-	-	34,149	8,825	42,974
2010	-	-	35,843	7,132	42,975
2011-2013	-	-	118,551	10,371	128,922
Total	<u>\$ 75,000</u>	<u>\$ 3,469</u>	<u>\$ 281,609</u>	<u>\$ 62,185</u>	<u>\$ 422,263</u>

- C.** During the year ended June 30, 2005, the following changes occurred in the District's long-term obligations. The general obligation bonds and the energy conservation notes are being paid out of the debt service fund. The capital lease is being retired from the general fund. Compensated absences will be paid from the fund from which the employee is paid.

	Balance Outstanding 06/30/04	Additions	Reductions	Balance Outstanding 06/30/05	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 707,707	\$ 124,379	\$ (66,767)	\$ 765,319	\$ 79,222
General obligation bonds	150,000	-	(75,000)	75,000	75,000
HB 264 energy conservation notes	309,745	-	(28,136)	281,609	29,533
Capital lease	118,505	-	(42,783)	75,722	41,981
Total long-term obligations, governmental activities	<u>\$ 1,285,957</u>	<u>\$ 124,379</u>	<u>\$ (212,686)</u>	<u>\$ 1,197,650</u>	<u>\$ 225,736</u>

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$16,445,643, an unvoted debt margin of \$182,656, and an energy conservation debt margin of \$1,362,292.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

During fiscal year 2005, the District contracted with various commercial insurance carriers for the following coverages:

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in the amounts of insurance coverage from fiscal 2004.

B. Employee Health

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2005, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$130,574, \$116,821 and \$113,650, respectively; 50.45% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$64,704 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$677,498, \$651,730, and \$619,377, respectively; 83.00% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$115,148 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$134 made by the District and \$15,979 made by plan members.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 pay a portion of the 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% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$48,393 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268,739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$50,642 during the 2005 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 652,691
Net adjustment for revenue accruals	572,888
Net adjustment for expenditure accruals	(81,922)
Net adjustment for other sources/uses	(14,125)
Adjustment for encumbrances	<u>171,776</u>
GAAP basis	<u>\$ 1,301,308</u>

NOTE 16 - CONTINGENCIES

A. Grants

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (12,008)	\$ -
Current year set-aside requirement	211,146	211,146
Qualifying disbursements	<u>(226,438)</u>	<u>(357,602)</u>
 Total	 <u>\$ (27,300)</u>	 <u>\$ (146,456)</u>
Cash balance carried forward to FY 2006	<u>\$ (27,300)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the textbooks and capital acquisition set-aside amounts to below zero. The District may, and has chosen to, carry forward the excess amount for the textbooks set-aside to offset set-aside requirements of future years.

Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2005 was \$463,743.



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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of the Johnstown-Monroe Local School District, Licking County, as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 27, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. In addition, the District has presented a prior year adjustment to restate net assets at July 1, 2004 due to correction of errors in capital assets, which is described in more detail in Note 3. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Board of Education
Johnstown-Monroe Local School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
October 27, 2005



**Auditor of State
Betty Montgomery**

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

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 9, 2006**