

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

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

FOR THE FISCAL YEAR ENDED
JUNE 30, 2007

TAMMY WOODS, TREASURER



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Johnstown-Monroe Local School District, Licking County, prepared by Julian & Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. 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.

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

Mary Taylor, CPA
Auditor of State

February 13, 2008

This Page is Intentionally Left Blank.

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	19
Statement of Fiduciary Net Assets - Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	21
Notes to the Basic Financial Statements.....	22 - 46
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards	47
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	48 - 49
Report on Compliance With Requirements Applicable to Its Major Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	50 - 51
Schedule of Findings <i>OMB Circular A-133 § .505</i>	52 - 53



Julian & Grube, Inc.

Serving Ohio Local Governments

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Johnstown-Monroe Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Johnstown-Monroe Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Johnstown-Monroe Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Johnstown-Monroe Local School District, Licking County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, on our consideration of Johnstown-Monroe Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Independent Auditor's Report
Johnstown-Monroe Local School District
Page Two

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

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

Julian & Grube, Inc.
December 6, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$611,522 which represents a 13.86% increase from 2006.
- General revenues accounted for \$11,778,226 in revenue or 86.21% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,883,936 or 13.79% of total revenues of \$13,662,162.
- The District had \$13,050,640 in expenses related to governmental activities; \$1,883,936 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,778,226 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$12,908,733 in revenues and other financing sources and \$12,367,145 in expenditures and other financing uses. During fiscal year 2007, the general fund's fund balance increased \$541,588 from \$2,826,389 to \$3,367,977.

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 2007?" 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, 2007**

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 private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. 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 22-46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The District as a Whole

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities 2007	Governmental Activities 2006
<u>Assets</u>		
Current and other assets	\$ 8,877,409	\$ 8,298,631
Capital assets, net	<u>3,047,163</u>	<u>2,656,864</u>
Total assets	<u>11,924,572</u>	<u>10,955,495</u>
<u>Liabilities</u>		
Current liabilities	5,225,880	5,114,129
Long-term liabilities	<u>1,674,151</u>	<u>1,428,347</u>
Total liabilities	<u>6,900,031</u>	<u>6,542,476</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,098,470	1,992,546
Restricted	182,584	123,751
Unrestricted	<u>2,743,487</u>	<u>2,296,722</u>
Total net assets	<u>\$ 5,024,541</u>	<u>\$ 4,413,019</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$5,024,541. Of this total, \$2,743,487 is unrestricted in use.

At year-end, capital assets represented 25.55% 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, 2007, were \$2,098,470. 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.

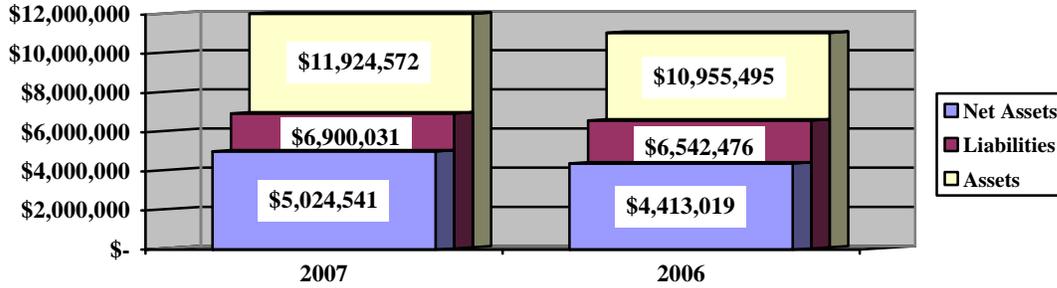
A portion of the District's net assets, \$182,584, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,743,487 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below shows the District's governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:

Governmental Activities



The table below shows the change in net assets for fiscal year 2007 and 2006. Certain revenue amounts for 2006 have been reclassified to conform to 2007 presentation.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Revenues		
Program revenues:		
Charges for services and sales	\$ 881,789	\$ 854,253
Operating grants and contributions	979,447	913,656
Capital grants and contributions	22,700	-
General revenues:		
Property taxes	4,138,172	3,929,266
School district income taxes	2,149,265	1,794,280
Grants and entitlements	5,233,241	5,241,705
Investment earnings	234,867	134,120
Contributions and donations	5,000	69,301
Miscellaneous	17,681	18,631
Total revenues	<u>13,662,162</u>	<u>12,955,212</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Change in Net Assets

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,959,770	\$ 5,524,377
Special	1,257,581	985,814
Vocational	216,395	188,903
Support services:		
Pupil	571,806	611,600
Instructional staff	473,079	466,315
Board of education	79,007	76,892
Administration	955,905	938,134
Fiscal	471,683	389,801
Operations and maintenance	1,110,368	1,269,846
Pupil transportation	814,059	764,666
Central	115,882	101,227
Operation of non-instructional services:		
Food service operations	437,618	365,866
Other non-instructional services	247	247
Extracurricular activities	551,513	500,448
Interest and fiscal charges	<u>35,727</u>	<u>28,164</u>
Total expenses	<u>13,050,640</u>	<u>12,212,300</u>
Change in net assets	611,522	742,912
Net assets at beginning of year	<u>4,413,019</u>	<u>3,670,107</u>
Net assets at end of year	<u>\$ 5,024,541</u>	<u>\$ 4,413,019</u>

Governmental Activities

Net assets of the District's governmental activities increased \$611,522. Total governmental expenses of \$13,050,640 were offset by program revenues of \$1,883,936 and general revenues of \$11,778,226. Program revenues supported 14.44% 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 84.33% of total governmental revenue.

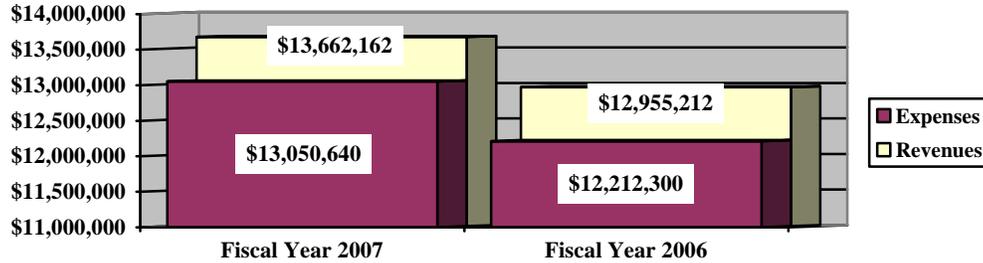
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,433,746 or 56.96% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

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. The 2006 net cost of services for instruction-special has been restated to conform to 2007 presentation.

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 5,959,770	\$ 5,447,920	\$ 5,524,377	\$ 5,050,066
Special	1,257,581	708,720	985,814	420,096
Vocational	216,395	171,798	188,903	165,429
Support services:				
Pupil	571,806	514,445	611,600	544,369
Instructional staff	473,079	442,916	466,315	439,609
Board of education	79,007	79,007	76,892	76,892
Administration	955,905	955,905	938,134	938,134
Fiscal	471,683	471,683	389,801	385,860
Operations and maintenance	1,110,368	1,110,368	1,269,846	1,269,846
Pupil transportation	814,059	738,518	764,666	764,621
Central	115,882	103,882	101,227	89,227
Operation of non-instructional services:				
Food service operations	437,618	67,667	365,866	10,967
Other non-instructional services	247	247	247	247
Extracurricular activities	551,513	317,901	500,448	260,864
Interest and fiscal charges	35,727	35,727	28,164	28,164
Total expenses	<u>\$ 13,050,640</u>	<u>\$ 11,166,704</u>	<u>\$ 12,212,300</u>	<u>\$ 10,444,391</u>

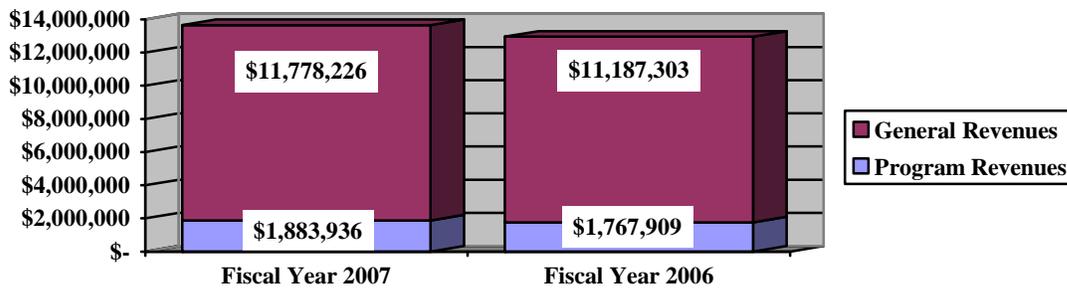
**JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The dependence upon tax and other general revenues for governmental activities is apparent, 85.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.56%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006. The amounts for 2006 have been reclassified to conform to 2007 presentation.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,419,245, which is greater than last year's total of \$2,958,708. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,367,977	\$ 2,826,389	\$ 541,588	19.16 %
Other Governmental	<u>51,268</u>	<u>132,319</u>	<u>(81,051)</u>	(61.25) %
Total	<u>\$ 3,419,245</u>	<u>\$ 2,958,708</u>	<u>\$ 460,537</u>	15.57 %

The fund balance of the District's other governmental funds decreased \$81,051 during fiscal year 2007. This decrease can primarily be attributed to an approximate \$63,000 decrease in the fund balance of the District's food service fund. The charges for services and intergovernmental grants and subsidies were not adequate to cover the food service operations expenditures. In addition, the food service fund received a \$46,000 advance in from the general fund which, on a GAAP basis, is reported as a fund liability.

General Fund

The District's general fund balance increased \$541,588. Revenues exceed expenditures for fiscal year 2007 by \$231,022.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,321,184	\$ 5,753,633	\$ 567,551	9.86 %
Tuition	324,484	325,615	(1,131)	(0.35) %
Earnings on investments	234,867	133,563	101,304	75.85 %
Intergovernmental	5,570,717	5,519,235	51,482	0.93 %
Other revenues	<u>22,754</u>	<u>89,447</u>	<u>(66,693)</u>	<u>(74.56) %</u>
 Total	 <u>\$ 12,474,006</u>	 <u>\$ 11,821,493</u>	 <u>\$ 652,513</u>	 5.52 %
<u>Expenditures</u>				
Instruction	\$ 6,935,463	\$ 6,148,308	\$ 787,155	12.80 %
Support services	4,809,344	4,715,281	94,063	1.99 %
Extracurricular activities	291,165	282,313	8,852	3.14 %
Facilities acquisition and construction	-	22,492	(22,492)	(100.00) %
Capital outlay	145,308	-	145,308	100.00 %
Debt service	<u>61,704</u>	<u>47,950</u>	<u>13,754</u>	<u>28.68 %</u>
 Total	 <u>\$ 12,242,984</u>	 <u>\$ 11,216,344</u>	 <u>\$ 1,026,640</u>	 9.15 %

The most significant increase in revenue was taxes. The increase in tax revenue is primarily 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. Interest revenue increased due to higher interest rates compared to the prior fiscal year. Other revenues decreased due to the District receiving less in contributions and donations. Instructional expenditures increased 12.80% over the prior fiscal year. This is due to an increasing student population and increasing wage and benefit costs for the District's staff. Capital outlay increased as the District entered into a new lease agreement for copiers during fiscal year 2007. All other revenues and expenditures remained comparable to the prior fiscal year.

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 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$13,001,738 and final budgeted revenues and other financing sources were \$13,244,999. Actual revenues and other financing sources for fiscal 2007 was \$13,179,515. This represents a \$65,484 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,675,434 were increased to \$13,419,959 in the final appropriations. The actual budget basis expenditures for fiscal year 2007 totaled \$13,060,486, which was \$359,473 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, 2007

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$3,047,163 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 280,961	\$ 280,961
Land improvements	174,191	203,078
Building and improvements	1,492,588	1,243,356
Furniture and equipment	1,091,819	913,122
Vehicles	7,604	16,347
Total	\$ 3,047,163	\$ 2,656,864

The overall increase in capital assets of \$390,299 is due to capital outlays of \$656,096 exceeding depreciation expense of \$237,687 and disposals of \$198,988 exceeding accumulated depreciation on the disposals of \$170,878 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, 2007, the District had \$821,248 in energy conservation notes outstanding. Of this total, \$101,191 is due within one year and \$720,057 is due in greater than one year. The following table summarizes the notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2007	Governmental Activities 2006
Energy conservation notes	\$ 821,248	\$ 630,577
Total	\$ 821,248	\$ 630,577

At June 30, 2007, the District's overall legal debt margin was \$19,145,464, and an unvoted debt margin of \$212,692.

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, 2007**

Current Financial Related Activities

The District is currently financially sound. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and grants and entitlements. The District realized an increase in tax revenue in fiscal year 2007 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. In November 2007, the residents of the District renewed the current 1% income tax through 2013. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses through fiscal year 2010. The District collects \$1,950,000 from the 1% income tax which is greater than the expected amount of \$1,600,000. However, the future financial stability of the District is not without challenges.

The District currently has a sufficient cash balance to meet projected operating expenses through fiscal year 2010. Beginning in fiscal year 2008, projected expenditures exceed projected revenues. The next challenge facing the District is the rapid increase in enrollment over the next several years. These projected increases are due to planned residential growth in the District. The District is currently utilizing five modular classrooms to house students. The last five attempts to pass a building bond levy have not passed. The District is currently investigating the options available to house the growing student enrollment. The Board has created the Facility Finance Committee to investigate solutions to the overcrowding problem within the District and the School Finance committee to investigate solutions to the operating revenue situation.

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. At this time, the District is being funded at the same dollar amount as the previous two fiscal years. It is projected that there will be no increase in the total funding from the State for at least the next several years and that the actual percentage of State funding for the District has been decreasing over the last few years. The passage of House Bill 66 leaves the District receiving "guarantee" funding from the State. This "guarantee" funding brings the District's State funding level up to the same level of funding that it received in fiscal year 2005. The District does not anticipate a significant growth in State revenue.

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact 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, 2007

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,518,113
Cash in segregated accounts	39,795
Receivables:	
Taxes	5,274,974
Accounts	1,427
Accrued interest	6,271
Intergovernmental	12,754
Prepayments	12,928
Materials and supplies inventory	11,147
Capital assets:	
Land	280,961
Depreciable capital assets, net	2,766,202
Capital assets, net.	<u>3,047,163</u>
 Total assets.	 <u>11,924,572</u>
Liabilities:	
Accounts payable.	63,497
Retainage payable	39,795
Accrued wages and benefits	865,335
Pension obligation payable.	204,054
Intergovernmental payable	67,077
Accrued interest payable	2,108
Unearned revenue.	3,984,014
Long-term liabilities:	
Due within one year.	245,937
Due in more than one year	1,428,214
Total liabilities	<u>6,900,031</u>
Net Assets:	
Invested in capital assets, net of related debt.	2,098,470
Restricted for:	
Debt service.	1,068
Locally funded programs	3,958
State funded programs	5,265
Student activities	46,751
Other purposes	125,542
Unrestricted.	<u>2,743,487</u>
Total net assets	<u>\$ 5,024,541</u>

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, 2007

	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	\$ 5,959,770	\$ 412,549	\$ 87,657	\$ 11,644	\$ (5,447,920)
Special	1,257,581	-	548,861	-	(708,720)
Vocational	216,395	-	44,597	-	(171,798)
Support services:					
Pupil.	571,806	-	57,361	-	(514,445)
Instructional staff	473,079	-	30,163	-	(442,916)
Board of education	79,007	-	-	-	(79,007)
Administration.	955,905	-	-	-	(955,905)
Fiscal.	471,683	-	-	-	(471,683)
Operations and maintenance	1,110,368	-	-	-	(1,110,368)
Pupil transportation.	814,059	-	64,485	11,056	(738,518)
Central	115,882	-	12,000	-	(103,882)
Operation of non-instructional services:					
Food service operations	437,618	268,378	101,573	-	(67,667)
Other non-instructional services	247	-	-	-	(247)
Extracurricular activities.	551,513	200,862	32,750	-	(317,901)
Interest and fiscal charges	35,727	-	-	-	(35,727)
Total governmental activities	\$ 13,050,640	\$ 881,789	\$ 979,447	\$ 22,700	(11,166,704)

General Revenues:

Property taxes levied for:

General purposes	4,138,172
School district income taxes	2,149,265
Grants and entitlements not restricted to specific programs.	5,233,241
Investment earnings	234,867
Contributions and donations	5,000
Miscellaneous	17,681
Total general revenues	11,778,226

Change in net assets 611,522

Net assets at beginning of year. 4,413,019

Net assets at end of year \$ 5,024,541

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,253,155	\$ 139,416	\$ 3,392,571
Cash in segregated accounts.	39,795	-	39,795
Receivables:			
Taxes.	5,274,974	-	5,274,974
Accounts	69	1,358	1,427
Accrued interest	6,271	-	6,271
Intergovernmental.	-	12,754	12,754
Interfund loan	46,000	-	46,000
Prepayments	12,928	-	12,928
Materials and supplies inventory	6,223	4,924	11,147
Restricted assets:			
Equity in pooled cash and cash equivalents	125,542	-	125,542
Total assets	<u>\$ 8,764,957</u>	<u>\$ 158,452</u>	<u>\$ 8,923,409</u>
Liabilities:			
Accounts payable	\$ 63,077	\$ 420	\$ 63,497
Retainage payable	39,795	-	39,795
Accrued wages and benefits	827,413	37,922	865,335
Compensated absences payable	86,423	6,380	92,803
Pension obligation payable.	190,545	13,509	204,054
Intergovernmental payable.	64,124	2,953	67,077
Interfund loan payable.	-	46,000	46,000
Deferred revenue.	141,589	-	141,589
Unearned revenue.	3,984,014	-	3,984,014
Total liabilities	<u>5,396,980</u>	<u>107,184</u>	<u>5,504,164</u>
Fund Balances:			
Reserved for encumbrances	345,016	38,116	383,132
Reserved for materials and supplies inventory.	6,223	4,924	11,147
Reserved for prepayments	12,928	-	12,928
Reserved for property tax unavailable for appropriation	180,881	-	180,881
Reserved for debt service.	-	3,162	3,162
Reserved for textbooks.	94,810	-	94,810
Reserved for capital acquisition.	30,732	-	30,732
Unreserved:			
Designated for budget stabilization.	625,868	-	625,868
Undesignated, reported in:			
General fund	2,071,519	-	2,071,519
Special revenue funds	-	5,066	5,066
Total fund balances	<u>3,367,977</u>	<u>51,268</u>	<u>3,419,245</u>
Total liabilities and fund balances	<u>\$ 8,764,957</u>	<u>\$ 158,452</u>	<u>\$ 8,923,409</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, 2007

Total governmental fund balances	\$	3,419,245
<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.		3,047,163
Other long-term assets (taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds.		141,589
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(2,108)
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	\$	632,655
Energy conservation notes		821,248
Capital lease obligation		127,445
		(1,581,348)
Net assets of governmental activities	\$	5,024,541

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, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 6,321,184	\$ -	\$ 6,321,184
Tuition	324,484	-	324,484
Transportation fees	-	33,930	33,930
Earnings on investments.	234,867	329	235,196
Charges for services.	-	268,378	268,378
Extracurricular.	-	166,932	166,932
Classroom materials and fees	-	87,964	87,964
Other local revenues.	22,754	32,778	55,532
Intergovernmental - Intermediate.	-	6,997	6,997
Intergovernmental - State.	5,570,717	71,239	5,641,956
Intergovernmental - Federal	-	553,356	553,356
Total revenue	<u>12,474,006</u>	<u>1,221,903</u>	<u>13,695,909</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,770,262	180,461	5,950,723
Special.	985,195	322,676	1,307,871
Vocational.	180,006	30,286	210,292
Support services:			
Pupil.	513,129	59,053	572,182
Instructional staff	424,201	30,819	455,020
Board of education	85,420	-	85,420
Administration.	937,008	-	937,008
Fiscal	464,996	-	464,996
Operations and maintenance.	1,474,917	-	1,474,917
Pupil transportation	805,791	-	805,791
Central.	103,882	12,000	115,882
Food service operations	-	432,690	432,690
Extracurricular activities.	291,165	234,969	526,134
Capital outlay.	145,308	-	145,308
Debt service:			
Principal retirement	51,604	98,308	149,912
Interest and fiscal charges	10,100	25,853	35,953
Total expenditures	<u>12,242,984</u>	<u>1,427,115</u>	<u>13,670,099</u>
Excess of revenues over (under) expenditures	<u>231,022</u>	<u>(205,212)</u>	<u>25,810</u>
Other financing sources (uses):			
Transfers in	-	124,161	124,161
Transfers (out).	(124,161)	-	(124,161)
Capital lease transaction.	145,308	-	145,308
Sale of notes.	288,979	-	288,979
Sale of capital assets	440	-	440
Total other financing sources (uses)	<u>310,566</u>	<u>124,161</u>	<u>434,727</u>
Net change in fund balances	541,588	(81,051)	460,537
Fund balances at beginning of year	<u>2,826,389</u>	<u>132,319</u>	<u>2,958,708</u>
Fund balances at end of year.	<u>\$ 3,367,977</u>	<u>\$ 51,268</u>	<u>\$ 3,419,245</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, 2007

Net change in fund balances - total governmental funds	\$	460,537
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Additions	\$ 656,096	
Depreciation expense	<u>(237,687)</u>	
Total		418,409
 The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
Disposals	(198,988)	
Accumulated depreciation on disposals	<u>170,878</u>	
Total		(28,110)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(33,747)
 Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		149,912
 Proceeds of notes and capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(434,287)
 Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on notes and leases.		
		226
 Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>78,582</u>
Change in net assets of governmental activities	\$	<u>611,522</u>

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, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 6,122,763	\$ 6,237,319	\$ 6,237,319	\$ -
Tuition.	318,524	324,484	324,484	-
Earnings on investments.	233,629	238,000	233,865	(4,135)
Other local revenues	31,270	31,855	22,732	(9,123)
Intergovernmental - State	5,485,345	5,587,976	5,573,877	(14,099)
Total revenue	<u>12,191,531</u>	<u>12,419,634</u>	<u>12,392,277</u>	<u>(27,357)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,606,398	5,935,705	5,869,976	65,729
Special.	984,108	1,041,912	981,700	60,212
Vocational.	168,379	178,269	177,382	887
Support services:				
Pupil.	499,517	528,857	511,423	17,434
Instructional staff	440,183	466,038	455,363	10,675
Board of education	82,855	87,722	81,042	6,680
Administration.	907,163	960,448	945,266	15,182
Fiscal	440,518	466,393	449,385	17,008
Operations and maintenance.	1,746,227	1,848,796	1,717,851	130,945
Pupil transportation	779,653	825,448	807,787	17,661
Central.	100,042	105,918	105,113	805
Extracurricular activities.	275,918	292,125	290,870	1,255
Facilities acquisition and construction.	14,168	15,000	-	15,000
Total expenditures	<u>12,045,129</u>	<u>12,752,631</u>	<u>12,393,158</u>	<u>359,473</u>
Excess of revenues over (under) expenditures.	<u>146,402</u>	<u>(332,997)</u>	<u>(881)</u>	<u>332,116</u>
Other financing sources (uses):				
Refund of prior year expenditure.	686	721	721	-
Transfers in.	488,058	497,167	497,167	-
Transfers (out)	(584,305)	(621,328)	(621,328)	-
Advances (out)	(46,000)	(46,000)	(46,000)	-
Sale of notes.	320,972	326,977	288,979	(37,998)
Sale of capital assets.	491	500	371	(129)
Total other financing sources (uses)	<u>179,902</u>	<u>158,037</u>	<u>119,910</u>	<u>(38,127)</u>
Net change in fund balance	326,304	(174,960)	119,029	293,989
Fund balance at beginning of year.	2,240,884	2,240,884	2,240,884	-
Prior year encumbrances appropriated	669,228	669,228	669,228	-
Fund balance at end of year	<u>\$ 3,236,416</u>	<u>\$ 2,735,152</u>	<u>\$ 3,029,141</u>	<u>\$ 293,989</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, 2007

	Private-Purpose Trusts	
	Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 262,050	\$ 41,593
Total assets.	262,050	\$ 41,593
Liabilities:		
Due to students	-	\$ 41,593
Total liabilities	-	\$ 41,593
Net Assets:		
Held in trust for scholarships	262,050	
Total net assets	\$ 262,050	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trusts
	Scholarships
Additions:	
Interest	\$ 10,684
Gifts and contributions.	36,436
Total additions.	47,120
Deductions:	
Scholarships awarded	32,419
Change in net assets	14,701
Net assets at beginning of year	247,349
Net assets at end of year	\$ 262,050

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, 2007**

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 45 non-certified and 101 certified (including administrative) full-time and part-time employees to provide services to approximately 1,623 students in grades K through 12 and various community groups, which ranks it 335th out of 876 public school districts and community schools in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. 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, 2007

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, 2007

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust 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, 2007

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, income taxes, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have 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, is 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 2007 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 Certificates of Estimated Resources issued for fiscal year 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary comparison statements at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
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, 2007, 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 2007, 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 2007. 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, 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Investment earnings are assigned to the general fund, food service fund and the private-purpose trust funds. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$234,867 which includes \$15,730 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.

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

<u>Description</u>	Governmental Activities <u>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 loan receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, 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, 2007, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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, property tax revenue unavailable for appropriation, textbooks and capital acquisition. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute. A portion of fund balance has been designated for budget stabilization.

M. Net Assets

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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 2007.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Governmental Funds</u>	
Food Service	\$ 68,997
Ohio Reads	18
Title VI-B	4,587
Title I	4,362
Title V	13
Drug Free School Grant	21
Improving Teacher Quality	7,519

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash in Segregated Accounts

At June 30, 2007, the District had \$39,795 in a segregated account for a retainage obligation outstanding. This account was covered by the Federal Deposit Insurance Corporation or pooled collateral held by the depository institution. This amount is not included in the District's depository balance below.

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$189,544, exclusive of the \$3,131,269 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, 2007, \$168,568 of the District's bank balance of \$368,568 was exposed to custodial risk as discussed below, while \$200,000 was covered by the 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.

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment Maturities 6 months or <u>less</u>
Repurchase Agreement	\$ 3,131,269	\$ 3,131,269
STAR Ohio	500,943	500,943
Total	<u>\$ 3,632,212</u>	<u>\$ 3,632,212</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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: The District's investments in the federal agency securities that underlie the District's repurchase agreement, were rated Aaa by Moody's Investor Services. Standard & Poor's has assigned STAR Ohio an 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 investments or collateral securities that are in the possession of an outside party. For the District's \$3,131,269 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 3,131,269	86.21
STAR Ohio	<u>500,943</u>	<u>13.79</u>
Total	<u>\$ 3,632,212</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments 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, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 189,544
Investments	3,632,212
Cash in segregated accounts	<u>39,795</u>
Total	<u>\$ 3,861,551</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,557,908
Private-purpose trust funds	262,050
Agency fund	<u>41,593</u>
Total	<u>\$ 3,861,551</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers from General fund to:	
Nonmajor governmental fund	\$ 124,161

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.

- B. Interfund balances at June 30, 2007, as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 46,000

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property was assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, and will be 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The District receives property taxes from Licking and Delaware Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$180,881 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$164,368 in the general fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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 unearned revenue.

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

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

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 208,266,270	94.04	\$ 208,266,270	93.83
Public utility personal	5,728,690	2.59	5,728,690	2.58
Tangible personal property	<u>7,488,978</u>	<u>3.37</u>	<u>7,964,158</u>	<u>3.59</u>
Total	<u>\$ 221,483,938</u>	<u>100.00</u>	<u>\$ 221,959,118</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:	\$ 30.70		\$ 30.70	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 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	\$ 5,274,974
Accounts	1,427
Accrued interest	6,271
Intergovernmental	<u>12,754</u>
Total	<u><u>\$ 5,295,426</u></u>

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

NOTE 8 - INCOME TAXES

The District levies a voted income tax of one percent on the income of residents and on estates for general operations of the District. The income tax became effective on January 1, 2004 and is in effect for a period of five years, until December 31, 2008. Employers of residents are required to withhold income tax on employee compensation and then remit that income tax to the State, and taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and amounted to \$2,149,265 for fiscal year 2007. Taxes receivable reported in the basic financial statements includes \$930,323 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, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</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	4,020,657	323,968	-	4,344,625
Furniture and equipment	3,001,002	332,128	(188,303)	3,144,827
Vehicles	<u>296,722</u>	<u>-</u>	<u>(10,685)</u>	<u>286,037</u>
Total capital assets, being depreciated	<u>8,209,788</u>	<u>656,096</u>	<u>(198,988)</u>	<u>8,666,896</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(688,329)	(28,887)	-	(717,216)
Buildings and improvements	(2,777,301)	(74,736)	-	(2,852,037)
Furniture and equipment	(2,087,880)	(125,321)	160,193	(2,053,008)
Vehicles	<u>(280,375)</u>	<u>(8,743)</u>	<u>10,685</u>	<u>(278,433)</u>
Total accumulated depreciation	<u>(5,833,885)</u>	<u>(237,687)</u>	<u>170,878</u>	<u>(5,900,694)</u>
Governmental activities capital assets, net	<u>\$ 2,656,864</u>	<u>\$ 418,409</u>	<u>\$ (28,110)</u>	<u>\$ 3,047,163</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 109,258
Special	4,147
Vocational	2,110
<u>Support Services:</u>	
Pupil	913
Instructional staff	9,744
Board of education	51
Administration	14,884
Fiscal	1,382
Operations and maintenance	58,498
Pupil transportation	8,268
Operation of non-instructional services	247
Extracurricular activities	24,954
Food service operations	<u>3,231</u>
Total depreciation expense	<u>\$ 237,687</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

On September 12, 2006, the District entered into a lease agreement for copier equipment. 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 \$435,301. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was \$304,524, leaving a current book value of \$130,777. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$51,604 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, 2007:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2008	\$ 35,472
2009	35,472
2010	35,472
2011	35,472
2012	<u>8,868</u>
Total minimum lease payments	150,756
Less amount representing interest	<u>(23,311)</u>
Total	<u>\$ 127,445</u>

NOTE 11 - LONG-TERM OBLIGATIONS

- A. Energy conservation notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. During fiscal year 2006, the District issued a new energy conservation note for \$733,154. \$695,157 in proceeds has been received as of June 30, 2007. Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's notes outstanding as of June 30, 2007.

	Interest Rate	Maturity Date	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
Governmental Activities:							
Energy conservation note - 1999	4.90%	4/22/13	\$ 252,076	\$ -	\$ (30,998)	\$ 221,078	\$ 32,535
Energy conservation note - 2006	2.06%	1/27/16	<u>378,501</u>	<u>288,979</u>	<u>(67,310)</u>	<u>600,170</u>	<u>68,656</u>
Total long-term obligations, governmental activities			<u>\$ 630,577</u>	<u>\$ 288,979</u>	<u>\$ (98,308)</u>	<u>\$ 821,248</u>	<u>\$ 101,191</u>

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

Year Ending June 30	Principal on HB 264 Energy Conservation Notes	Interest on HB 264 Energy Conservation Notes	Total
2008	\$ 101,191	\$ 22,970	\$ 124,161
2009	104,268	19,893	124,161
2010	107,418	16,743	124,161
2011	110,684	13,477	124,161
2012	114,050	10,111	124,161
2013-2016	<u>283,637</u>	<u>11,912</u>	<u>295,549</u>
Total	<u>\$ 821,248</u>	<u>\$ 95,106</u>	<u>\$ 916,354</u>

- C.** During the fiscal year ended June 30, 2007, the following changes occurred in the District's long-term obligations. The energy conservation notes are being paid out of the debt service fund, a nonmajor governmental 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, which is primarily the general fund.

	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amounts Due in One Year
Governmental Activities:					
Compensated absences	\$ 764,029	\$ 54,594	\$ (93,165)	\$ 725,458	\$ 118,522
HB 264 energy conservation notes	630,577	288,979	(98,308)	821,248	101,191
Capital lease	<u>33,741</u>	<u>145,308</u>	<u>(51,604)</u>	<u>127,445</u>	<u>26,224</u>
Total long-term obligations, governmental activities	<u>\$ 1,428,347</u>	<u>\$ 488,881</u>	<u>\$ (243,077)</u>	<u>\$ 1,674,151</u>	<u>\$ 245,937</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$19,145,464 (including available funds of \$3,162), an unvoted debt margin of \$212,692 and an energy conservation debt margin of \$1,092,982.

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 2007, 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 2006.

B. Employee Health

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - RISK MANAGEMENT - (Continued)

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.

C. Workers' Compensation

For fiscal year 2007, 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 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended June 30, 2007, 2006, and 2005 were \$119,438, \$115,286, and \$98,583, respectively; 70.22 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$35,574 represents the unpaid pension contribution for fiscal year 2007 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, 2007

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$705,819, \$654,098, and \$629,105, respectively; 82.02 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$126,913 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,743 made by the District and \$17,448 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, 2007**

NOTE 13 - PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$54,294 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$52,624 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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	\$ 119,029
Net adjustment for revenue accruals	81,729
Net adjustment for expenditure accruals	(199,382)
Net adjustment for other sources/uses	190,656
Adjustment for encumbrances	349,556
GAAP basis	\$ 541,588

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, 2007

NOTE 16 - CONTINGENCIES - (Continued)

B. Litigation

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$17,137 per year. A portion of the refund may be recovered from additional state entitlement payments.

The District is party to other legal proceedings seeking damages generally incidental to its operations. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2006	\$ 10,106	\$ 54,834
Current year set-aside requirement	237,548	237,548
Qualifying disbursements	<u>(152,844)</u>	<u>(261,650)</u>
 Total	 <u>\$ 94,810</u>	 <u>\$ 30,732</u>
 Balance carried forward to FY 2008	 <u>\$ 94,810</u>	 <u>\$ 30,732</u>

Monies set-aside by the School Board for budget stabilization are reported as a designation of fund balance in the general fund. The balance in the budget stabilization designation at June 30, 2007 was \$625,868.

A schedule of the governmental fund restricted assets at June 30, 2007 follows:

Amount restricted for textbooks	\$ 94,810
Amount restricted for capital acquisition	<u>30,732</u>
 Total restricted assets	 <u>\$ 125,542</u>

SUPPLEMENTARY DATA

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(A) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(A) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
(B) Food Donation	10.550	N/A	\$ -	\$ 12,239	\$ -	\$ 12,239
(C) National School Lunch Program	10.555	047985-LLP4-2006	22,555		22,555	
(C) National School Lunch Program	10.555	047985-LLP4-2007	61,462		61,462	
Total U.S. Department of Agriculture			<u>84,017</u>	<u>12,239</u>	<u>84,017</u>	<u>12,239</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies	84.010	047985-C1S1-2006	-		648	
Title I Grants to Local Educational Agencies	84.010	047985-C1S1-2007	94,205		94,205	
Total Title I Grants to Local Educational Agencies			<u>94,205</u>		<u>94,853</u>	
Special Education_Grants to States	84.027	047985-6BSF-2006	-		11,190	
Special Education_Grants to States	84.027	047985-6BSF-2007	306,587		303,871	
Total Special Education _Grants to States			<u>306,587</u>		<u>315,061</u>	
Safe and Drug-Free Schools and Communities_State Grants	84.186	047985-DRS1-2006	-		1,281	
Safe and Drug-Free Schools and Communities_State Grants	84.186	047985-DRS1-2007	4,226		4,226	
Total Safe and Drug-Free Schools and Communities_State Grants			<u>4,226</u>		<u>5,507</u>	
State Grants for Innovative Programs	84.298	047985-C2S1-2007	2,115		2,115	
Education Technology State Grants	84.318	047985-TJS1-2007	980		980	
Improving Teacher Quality State Grants	84.367	047985-TRS1-2007	46,515		46,515	
Total U.S. Department of Education			<u>454,628</u>		<u>465,031</u>	
Total Federal Financial Assistance			<u>\$ 538,645</u>	<u>\$ 12,239</u>	<u>\$ 549,048</u>	<u>\$ 12,239</u>

(A) This schedule was prepared on the cash basis of accounting.

(B) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices

(C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining fund information of Johnstown-Monroe Local School District, Licking County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Johnstown-Monroe Local School District's basic financial statements and have issued our report thereon dated December 6, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Johnstown-Monroe Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Johnstown-Monroe Local School District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Johnstown-Monroe Local School District's internal control.

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

Board of Education
Johnstown-Monroe Local School District

Compliance and Other Matters

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

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

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

Julian & Grube, Inc.
December 6, 2007



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

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

Compliance

We have audited the compliance of Johnstown-Monroe Local School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2007. Johnstown-Monroe Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Johnstown-Monroe Local School District's management. Our responsibility is to express an opinion on Johnstown-Monroe Local School District's compliance based on our audit.

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

In our opinion, Johnstown-Monroe Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

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

Board of Education
Johnstown-Monroe Local School District

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Johnstown-Monroe Local School District's internal control.

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

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

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

Julian & Grube, Inc.
December 6, 2007

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

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

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

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

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

JOHNSTOWN-MONROE LOCAL SCHOOL DISTRICT

LICKING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2008