

Jackson City School District

Jackson County

Single Audit

July 1 , 1999 Through June 30, 2000

Fiscal Year Audited Under GAGAS: 2000

MICHAEL A. BALESTRA, CPA, INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board of Education
Jackson City School District
379 East South Street
Jackson, Ohio 45640

We have reviewed the independent auditor's report of the Jackson City School District, Jackson County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1999 through June 30, 2000. 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 Jackson City School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

December 1, 2000

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditors' Report

Members of the Board of Education
Jackson City School District
379 E. South Street
Jackson, Ohio 45640

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

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Jackson City School District, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2000 on our consideration of the Jackson City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Jackson City School District, Jackson County, taken as a whole. The accompanying schedule of federal award expenditures is presented for purpose 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.

Certified Public Accountant

October 12, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the School District include the basic combined financial statements, presented by fund type and account group, and notes to the financial statements that are essential to the fair presentation of financial position and results of operations and cash flows of the proprietary fund type.

JACKSON CITY SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

| | <u>GOVERNMENTAL FUND TYPES</u> | | |
|--|--------------------------------|----------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> |
| <u>Assets and Other Debits:</u> | | | |
| <u>Assets:</u> | | | |
| Equity in Pooled Cash and Investments | \$1,109,731 | \$979,599 | \$2,634,362 |
| Receivables: | | | |
| Taxes | 3,995,883 | 0 | 949,270 |
| Accounts | 235 | 0 | 0 |
| Intergovernmental | 3,191 | 0 | 0 |
| Accrued Interest | 0 | 0 | 0 |
| Prepaid Items | 28,387 | 0 | 0 |
| Inventory Held For Resale | 0 | 0 | 0 |
| Restricted Assets: | | | |
| Equity in Pooled Cash & Cash Equivalents | 78,303 | 0 | 0 |
| Fixed Assets (Net of Accumulated Depreciation) | 0 | 0 | 0 |
| Investment in Joint Venture | 0 | 0 | 0 |
| Interfund Receivable | 326,991 | 0 | 0 |
| Due From Other Funds | 2,752 | 0 | 0 |
| <u>Other Debits:</u> | | | |
| Amount to be Provided from General Government Resources | 0 | 0 | 0 |
| Total Assets and Other Debits | <u>\$5,545,473</u> | <u>\$979,599</u> | <u>\$3,583,632</u> |

| <i>PROPRIETARY FUND TYPE</i> | <i>FIDUCIARY FUND TYPES</i> | <i>ACCOUNT GROUPS</i> | | Totals (Memorandum Only) |
|---|--|------------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$55,808 | \$3,422,446 | \$0 | \$0 | \$8,201,946 |
| 0 | 0 | 0 | 0 | 4,945,153 |
| 0 | 0 | 0 | 0 | 235 |
| 38,493 | 0 | 0 | 0 | 41,684 |
| 0 | 44,596 | 0 | 0 | 44,596 |
| 0 | 0 | 0 | 0 | 28,387 |
| 8,806 | 0 | 0 | 0 | 8,806 |
| 0 | 0 | 0 | 0 | 78,303 |
| 53,730 | 0 | 11,695,568 | 0 | 11,749,298 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 326,991 |
| 0 | 0 | 0 | 0 | 2,752 |
| 0 | 0 | 0 | 1,284,342 | 1,284,342 |
| ----- \$156,837 | ----- \$3,467,042 | ----- \$11,695,568 | ----- \$1,284,342 | ----- \$26,712,493 |

(continued)

JACKSON CITY SCHOOL DISTRICT

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000
(Continued)

| | <u>GOVERNMENTAL FUND TYPES</u> | | |
|---|--------------------------------|----------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> |
| <i>Liabilities,</i> | | | |
| <i>Fund Equity and Other Credits:</i> | | | |
| <i>Liabilities:</i> | | | |
| Accounts Payable | \$62,004 | \$10,537 | \$0 |
| Accrued Wages and Benefits | 1,263,641 | 172,338 | 1,448 |
| Compensated Absences Payable | 27,582 | 1,224 | 0 |
| Intergovernmental Payable | 252,850 | 17,347 | 46 |
| Deferred Revenue | 3,963,009 | 0 | 940,796 |
| Undistributed Assets | 0 | 0 | 0 |
| Accrued Interest Payable | 0 | 0 | 12,210 |
| Notes Payable | 0 | 0 | 850,000 |
| Interfund Payable | 0 | 326,991 | 0 |
| Due to Other Funds | 0 | 2,752 | 0 |
| | ----- | ----- | ----- |
| Total Liabilities | 5,569,086 | 531,189 | 1,804,500 |
| | ----- | ----- | ----- |
| <i>Fund Equity and Other Credits:</i> | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 |
| Retained Earnings: | | | |
| Unreserved (Deficit) | 0 | 0 | 0 |
| Fund Balance: | | | |
| Reserved for Encumbrances | 102,957 | 17,683 | 115,196 |
| Reserved for Endowment | 0 | 0 | 0 |
| Reserved for Property Taxes | 32,874 | 0 | 8,474 |
| Reserved for Budget Stabilization | 78,303 | 0 | 0 |
| Unreserved: | | | |
| Undesignated (Deficit) | (237,747) | 430,727 | 1,655,462 |
| | ----- | ----- | ----- |
| Total Fund Equity (Deficit) and Other Credits | (23,613) | 448,410 | 1,779,132 |
| | ----- | ----- | ----- |
| Total Liabilities, Fund Equity and Other Credits | \$5,545,473 | \$979,599 | \$3,583,632 |
| | ===== | ===== | ===== |

See accompanying notes to the general purpose financial statements

| <i>PROPRIETARY FUND TYPE</i> | <i>FIDUCIARY FUND TYPES</i> | <i>ACCOUNT GROUPS</i> | | Totals (Memorandum Only) |
|---|--|------------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$94 | \$1,562 | \$0 | \$0 | \$74,197 |
| 50,899 | 0 | 0 | 0 | 1,488,326 |
| 35,575 | 1,422 | 0 | 1,180,002 | 1,245,805 |
| 19,376 | 2,047 | 0 | 104,340 | 396,006 |
| 3,999 | 0 | 0 | 0 | 4,907,804 |
| 0 | 669,977 | 0 | 0 | 669,977 |
| 0 | 0 | 0 | 0 | 12,210 |
| 0 | 0 | 0 | 0 | 850,000 |
| 0 | 0 | 0 | 0 | 326,991 |
| 0 | 0 | 0 | 0 | 2,752 |
| ----- 109,943 | ----- 675,008 | ----- 0 | ----- 1,284,342 | ----- 9,974,068 |
| 0 | 0 | 11,695,568 | 0 | 11,695,568 |
| 46,894 | 0 | 0 | 0 | 46,894 |
| 0 | 12,150 | 0 | 0 | 247,986 |
| 0 | 1,075,447 | 0 | 0 | 1,075,447 |
| 0 | 0 | 0 | 0 | 41,348 |
| 0 | 0 | 0 | 0 | 78,303 |
| 0 | 1,704,437 | 0 | 0 | 3,552,879 |
| ----- 46,894 | ----- 2,792,034 | ----- 11,695,568 | ----- 0 | ----- 16,738,425 |
| ----- \$156,837 | ----- \$3,467,042 | ----- \$11,695,568 | ----- \$1,284,342 | ----- \$26,712,493 |

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JACKSON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures
 and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

| | Governmental Fund Types | | | Fiduciary | Totals |
|---|-------------------------|--------------------|---------------------|---------------------|----------------------|
| | General | Special Revenue | Capital Projects | Expendable Trust | (Memorandum Only) |
| <u>Revenues:</u> | | | | | |
| Intergovernmental | \$9,384,398 | \$1,141,256 | \$281,854 | \$7,470 | \$10,814,978 |
| Interest | 234,582 | 0 | 0 | 292,745 | 527,327 |
| Tuition and Fees | 97,482 | 0 | 0 | 2,105 | 99,587 |
| Rent | 14,700 | 0 | 0 | 0 | 14,700 |
| Gifts and Donations | 0 | 0 | 6,900 | 26,610 | 33,510 |
| Extracurricular Activities | 0 | 240,766 | 0 | 3,370 | 244,136 |
| Property & Other Local Taxes | 3,221,140 | 0 | 793,138 | 0 | 4,014,278 |
| Miscellaneous | 27,255 | 7,192 | 0 | 3,506 | 37,953 |
| Total Revenues | 12,979,557 | 1,389,214 | 1,081,892 | 335,806 | 15,786,469 |
| <u>Expenditures:</u> | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 6,596,765 | 815,784 | 68,488 | 20,057 | 7,501,094 |
| Special | 969,276 | 774,328 | 0 | 3,357 | 1,746,961 |
| Vocational | 49,300 | 0 | 0 | 0 | 49,300 |
| Support Services: | | | | | |
| Pupils | 414,396 | 56,073 | 1,224 | 1,860 | 473,553 |
| Instructional Staff | 252,422 | 94,349 | 0 | 0 | 346,771 |
| Board of Education | 34,009 | 0 | 0 | 0 | 34,009 |
| Administration | 1,226,319 | 140,619 | 0 | 0 | 1,366,938 |
| Fiscal | 404,181 | 0 | 18,243 | 0 | 422,424 |
| Business | 48,759 | 0 | 0 | 0 | 48,759 |
| Operation and Maintenance of Plant | 1,320,008 | 15,383 | 14,922 | 0 | 1,350,313 |
| Pupil Transportation | 756,205 | 0 | 119,739 | 0 | 875,944 |
| Central | 3,192 | 0 | 0 | 0 | 3,192 |
| Non-Instructional Services | 539 | 0 | 0 | 2,500 | 3,039 |
| Extracurricular Activities | 242,101 | 243,475 | 0 | 8,796 | 494,372 |
| Capital Outlay | 6,420 | 0 | 32,839 | 0 | 39,259 |
| Debt Service: | | | | | |
| Interest and Fiscal Charges | 0 | 0 | 45,738 | 0 | 45,738 |
| Intergovernmental | 0 | 0 | 0 | 23,200 | 23,200 |
| Total Expenditures | 12,323,892 | 2,140,011 | 301,193 | 59,770 | 14,824,866 |
| Excess of Revenues Over (Under) Expenditures | 655,665 | (750,797) | 780,699 | 276,036 | 961,603 |
| <u>Other Financing Sources (Uses):</u> | | | | | |
| Proceeds from Sale of Fixed Assets | 3,956 | 0 | 0 | 0 | 3,956 |
| Operating Transfers - In | 40,518 | 650,852 | 144,332 | 15,889 | 851,591 |
| Operating Transfers - Out | (809,480) | (4,926) | (37,185) | 0 | (851,591) |
| Total Other Financing Sources (Uses) | (765,006) | 645,926 | 107,147 | 15,889 | 3,956 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (109,341) | (104,871) | 887,846 | 291,925 | 965,559 |
| Fund Balances at Beginning of Year | 85,728 | 553,281 | 891,286 | 1,365,890 | 2,896,185 |
| Fund Balances at End of Year | (\$23,613) | \$448,410 | \$1,779,132 | \$1,657,815 | \$3,861,744 |

See accompanying notes to the financial statements

JACKSON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

| | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|---|---------------------|--------------------|--|------------------------------|------------------|--|
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| <u>Revenues:</u> | | | | | | |
| Property Taxes | \$3,219,805 | \$3,219,805 | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental | 9,381,207 | 9,381,207 | 0 | 1,141,256 | 1,141,256 | 0 |
| Interest | 121,113 | 234,582 | 113,469 | 0 | 0 | 0 |
| Tuition and Fees | 97,410 | 97,482 | 72 | 0 | 0 | 0 |
| Rent | 14,700 | 14,700 | 0 | 0 | 0 | 0 |
| Gifts and Donations | 0 | 0 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 240,766 | 240,766 | 0 |
| Miscellaneous | 38,895 | 38,948 | 53 | 3,457 | 3,457 | 0 |
| Total Revenues | 12,873,130 | 12,986,724 | 113,594 | 1,385,479 | 1,385,479 | 0 |
| <u>Expenditures:</u> | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 6,724,877 | 6,612,686 | 112,191 | 831,846 | 833,913 | (2,067) |
| Special | 1,013,217 | 988,217 | 25,000 | 785,432 | 786,076 | (644) |
| Vocational | 49,073 | 49,073 | 0 | 0 | 0 | 0 |
| Support Services: | | | | | | |
| Pupils | 409,930 | 409,930 | 0 | 56,180 | 56,180 | 0 |
| Instructional Staff | 260,739 | 235,739 | 25,000 | 111,407 | 111,407 | 0 |
| Board of Education | 29,625 | 29,620 | 5 | 0 | 0 | 0 |
| Administration | 1,239,709 | 1,218,366 | 21,343 | 136,152 | 136,152 | 0 |
| Fiscal | 403,708 | 403,385 | 323 | 0 | 0 | 0 |
| Business | 48,285 | 48,285 | 0 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 1,361,771 | 1,285,921 | 75,850 | 15,383 | 15,383 | 0 |
| Pupil Transportation | 847,673 | 791,959 | 55,714 | 0 | 0 | 0 |
| Central | 3,696 | 3,661 | 35 | 0 | 0 | 0 |
| Non-Instructional Services | 539 | 539 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 234,232 | 234,232 | 0 | 262,435 | 262,435 | 0 |
| Capital Outlay | 6,420 | 6,420 | 0 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 12,633,494 | 12,318,033 | 315,461 | 2,198,835 | 2,201,546 | (2,711) |
| Excess of Revenues Over (Under) Expenditures | 239,636 | 668,691 | 429,055 | (813,356) | (816,067) | (2,711) |
| <u>Other Financing Sources (Uses):</u> | | | | | | |
| Proceeds from Sale of Fixed Assets | 3,956 | 3,956 | 0 | 0 | 0 | 0 |
| Advances - In | 0 | 0 | 0 | 326,991 | 326,991 | 0 |
| Advances - Out | (326,991) | (326,991) | 0 | 0 | 0 | 0 |
| Operating Transfers - In | 87,475 | 87,475 | 0 | 943,219 | 943,219 | 0 |
| Operating Transfers - Out | (856,437) | (856,437) | 0 | (297,031) | (297,031) | 0 |
| Total Other Financing Sources (Uses) | (1,091,997) | (1,091,997) | 0 | 973,179 | 973,179 | 0 |
| Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (852,361) | (423,306) | 429,055 | 159,823 | 157,112 | (2,711) |
| Fund Balances at Beginning of Year | 1,485,448 | 1,485,448 | 0 | 759,461 | 759,461 | 0 |
| Prior Year Encumbrances Appropriated | 37,310 | 37,310 | 0 | 35,260 | 35,260 | 0 |
| Fund Balances at End of Year | \$670,397 | \$1,099,452 | \$429,055 | \$954,544 | \$951,833 | (\$2,711) |

See accompanying notes to the general purpose financial statements

| <i>CAPITAL PROJECTS FUND</i> | | | <i>EXPENDABLE TRUST FUND</i> | | |
|------------------------------|-------------|----------------------------------|------------------------------|-------------|----------------------------------|
| Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| \$792,794 | \$792,794 | \$0 | \$0 | \$0 | \$0 |
| 281,854 | 281,854 | 0 | 7,470 | 7,470 | 0 |
| 0 | 0 | 0 | 295,168 | 295,168 | 0 |
| 0 | 0 | 0 | 2,105 | 2,105 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 6,900 | 6,900 | 0 | 29,640 | 26,610 | (3,030) |
| 0 | 0 | 0 | 3,370 | 3,370 | 0 |
| 0 | 0 | 0 | 3,506 | 3,506 | 0 |
| 1,081,548 | 1,081,548 | 0 | 341,259 | 338,229 | (3,030) |
| 92,090 | 92,090 | 0 | 20,058 | 20,058 | 0 |
| 0 | 0 | 0 | 3,353 | 3,353 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 1,224 | 1,224 | 0 | 3,270 | 3,270 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 18,243 | 18,243 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 14,922 | 14,922 | 0 | 0 | 0 | 0 |
| 234,936 | 234,936 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 2,500 | 2,500 | 0 |
| 0 | 0 | 0 | 20,946 | 20,946 | 0 |
| 32,839 | 32,839 | 0 | 0 | 0 | 0 |
| 425,000 | 425,000 | 0 | 0 | 0 | 0 |
| 51,531 | 51,531 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 23,200 | 23,200 | 0 |
| 870,785 | 870,785 | 0 | 73,327 | 73,327 | 0 |
| 210,763 | 210,763 | 0 | 267,932 | 264,902 | (3,030) |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 774,331 | 774,331 | 0 | 19,078 | 19,078 | 0 |
| (667,185) | (667,185) | 0 | (3,188) | (3,188) | 0 |
| 107,146 | 107,146 | 0 | 15,890 | 15,890 | 0 |
| 317,909 | 317,909 | 0 | 283,822 | 280,792 | (3,030) |
| 1,919,658 | 1,919,658 | 0 | 1,318,829 | 1,318,829 | 0 |
| 136,570 | 136,570 | 0 | 1,471 | 1,471 | 0 |
| \$2,374,137 | \$2,374,137 | \$0 | \$1,604,122 | \$1,601,092 | (\$3,030) |

JACKSON CITY SCHOOL DISTRICT
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type and Similar Fiduciary Fund
 For the Fiscal Year Ended June 30, 2000

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|--|----------------------------------|--------------------------------|--------------------------------|
| | Enterprise | Non- Expendable Trust | |
| <u>Operating Revenues:</u> | | | |
| Sales | \$372,362 | \$0 | \$372,362 |
| Interest | 0 | 64,148 | 64,148 |
| Contributions and Donations | 0 | 17,723 | 17,723 |
| Other Operating Revenues | 8,092 | 9,244 | 17,336 |
| <i>Total Operating Revenues</i> | 380,454 | 91,115 | 471,569 |
| <u>Operating Expenses:</u> | | | |
| Salaries | 271,708 | 0 | 271,708 |
| Fringe Benefits | 135,853 | 0 | 135,853 |
| Purchased Services | 18,158 | 0 | 18,158 |
| Materials and Supplies | 9,169 | 4,756 | 13,925 |
| Cost of Sales | 298,749 | 0 | 298,749 |
| Depreciation | 6,191 | 0 | 6,191 |
| Other Operating Expenses | 0 | 30,984 | 30,984 |
| Capital Outlay | 0 | 1,251 | 1,251 |
| <i>Total Operating Expenses</i> | 739,828 | 36,991 | 776,819 |
| Operating Gan/(Loss) | (359,374) | 54,124 | (305,250) |
| <u>Non-Operating Revenues (Expenses):</u> | | | |
| Federal Donated Commodities | 55,955 | 0 | 55,955 |
| Federal and State Subsidies | 318,808 | 0 | 318,808 |
| <i>Total Non-Operating Revenues (Expenses)</i> | 374,763 | 0 | 374,763 |
| Net Gain/(Loss) | 15,389 | 54,124 | 69,513 |
| Retained Earnings at Beginning of Year | 31,505 | 1,021,323 | 1,052,828 |
| Retained Earnings (Deficit) at End of Year | \$46,894 | \$1,075,447 | \$1,122,341 |

See accompanying notes to the general purpose financial statements

JACKSON CITY SCHOOL DISTRICT
 Combined Statement of Revenues, Expenses and
 Changes in Fund Equity - Budget and Actual (Budget Basis)
 Proprietary Fund Type and Similar Fiduciary Fund
 For the Fiscal Year Ended June 30, 2000

| | PROPRIETARY FUND TYPE | | | FIDUCIARY FUND TYPE | | |
|--|------------------------------|----------------|--|----------------------------------|---------------|--|
| | ENTERPRISE FUND | | | NON-EXPENDABLE TRUST FUND | | |
| | Revised Budget | Actual | Variance Favorable (Unfavorable) | Revised Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | |
| Sales | \$372,362 | \$372,362 | \$0 | \$0 | \$0 | \$0 |
| Interest | 0 | 0 | 0 | 64,148 | 64,148 | 0 |
| Contributions and Donations | 0 | 0 | 0 | 17,723 | 17,723 | 0 |
| Other Revenues | 8,092 | 8,092 | 0 | 9,244 | 9,244 | 0 |
| <i>Total Revenues</i> | <i>380,454</i> | <i>380,454</i> | <i>0</i> | <i>91,115</i> | <i>91,115</i> | <i>0</i> |
| Expenses: | | | | | | |
| Salaries | 314,864 | 314,864 | 0 | 0 | 0 | 0 |
| Fringe Benefits | 141,923 | 141,923 | 0 | 0 | 0 | 0 |
| Purchased Services | 18,842 | 18,842 | 0 | 0 | 0 | 0 |
| Materials and Supplies | 250,197 | 250,197 | 0 | 4,756 | 4,756 | 0 |
| Capital Outlay | 550 | 550 | 0 | 1,251 | 1,251 | 0 |
| Other | 0 | 0 | 0 | 30,321 | 30,321 | 0 |
| <i>Total Expenses</i> | <i>726,376</i> | <i>726,376</i> | <i>0</i> | <i>36,328</i> | <i>36,328</i> | <i>0</i> |
| Excess of Revenues Over/(Under) Expenses | (345,922) | (345,922) | 0 | 54,787 | 54,787 | 0 |
| Other Financing Sources Non-Operating Revenues Federal & State Subsidies | 326,374 | 326,374 | 0 | 0 | 0 | 0 |
| <i>Total Other Financing Sources</i> | <i>326,374</i> | <i>326,374</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Excess of Revenues and Other Over/Under Expenses and Other | (19,548) | (19,548) | 0 | 54,787 | 54,787 | 0 |
| Fund Equity at Beginning of Year | 75,356 | 75,356 | 0 | 1,021,148 | 1,021,148 | 0 |
| Prior Year Encumbrances Appropriated | 0 | 0 | 0 | 763 | 763 | 0 |
| Fund Equity at End of Year | \$55,808 | \$55,808 | \$0 | \$1,076,698 | \$1,076,698 | \$0 |

See accompanying notes to the general purpose financial statements

JACKSON CITY SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type and Similar Fiduciary Fund
 For the Fiscal Year Ended June 30, 2000

| | Proprietary Fund Type | Fiduciary Fund Type | Total (Memorandum Only) |
|--|--------------------------|-----------------------------|-------------------------------|
| | Enterprise | Non- Expendable Trust | |
| <i>Increase (Decrease) in Cash and Cash Equivalents:</i> | | | |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$372,362 | \$0 | \$372,362 |
| Cash Payments to Suppliers for Goods and Services | (268,261) | (36,078) | (304,339) |
| Cash Payments to Employees for Services | (314,864) | 0 | (314,864) |
| Cash Payments for Employee Benefits | (141,923) | 0 | (141,923) |
| Cash Received from Other Operating Sources | 8,092 | 91,115 | 99,207 |
| Net Cash Used for Operating Activities | (344,594) | 55,037 | (289,557) |
| <u>Cash Flows from Noncapital Financing Activities:</u> | | | |
| Operating Grants Received | 326,374 | 0 | 326,374 |
| Operating Transfers In | 0 | 460 | 460 |
| Operating Transfers Out | 0 | (460) | (460) |
| Net Cash Provided by Noncapital Financing Activities | 326,374 | 0 | 326,374 |
| <u>Cash Flows from Capital and Related Financing Activities:</u> | | | |
| Payments for Capital Acquisitions | (1,328) | 0 | (1,328) |
| Net Decrease in Cash and Cash Equivalents | (19,548) | 55,037 | 35,489 |
| Cash and Cash Equivalents at Beginning of Year | 75,356 | 1,021,910 | 1,097,266 |
| Cash and Cash Equivalents at End of Year | \$55,808 | \$1,076,947 | \$1,132,755 |
| <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u> | | | |
| Operating Loss | (\$359,374) | \$54,124 | (\$305,250) |
| <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u> | | | |
| Depreciation | 6,191 | 0 | 6,191 |
| Donated Commodities Used During Year | 55,955 | 0 | 55,955 |
| Changes in Assets and Liabilities: | | | |
| Decrease in Inventory Held for Resale | 1,766 | 0 | 1,766 |
| Increase in Accounts Payable | 94 | 913 | 1,007 |
| (Decrease) Accrued Wages and Benefits | (1,880) | 0 | (1,880) |
| (Decrease) in Compensated Absences Payable | (41,855) | 0 | (41,855) |
| (Decrease) in Intergovernmental Payable | (5,491) | 0 | (5,491) |
| Total Adjustments | 14,780 | 913 | 15,693 |
| Net Cash Used for Operating Activities | (344,594) | 55,037 | (289,557) |
| Cash and Cash Equivalents - All Fiduciary Funds | | \$3,422,446 | |
| Cash and Cash Equivalents - Agency Funds | | (732,257) | |
| Cash and Cash Equivalents - Expendable Trust Funds | | (1,613,242) | |
| Cash and Cash Equivalents - Non-Expendable Trust Funds | | \$1,076,947 | |

See accompanying notes to the general purpose financial statements

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Jackson City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.01 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1999 was 2,707. The District employed 172 certified employees and 99 non-certified employees.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, student guidance, extracurricular activities, care and upkeep of grounds and buildings of the District, and other appropriate areas. 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; (3) the District is legally obligated or has assumed responsibility to finance the deficits of, or provide fiscal 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 School District in that the District approves the budget, the levying of taxes or the issuance of debt. The District did not have any component units or other related organizations in fiscal year 2000.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

City of Jackson - The City of Jackson is a separate body politic and corporate. A mayor and council are elected independent of any District relationships, and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

Jackson City Library - The library is a distinct political subdivision of the State of Ohio governed by a board of trustees. The board of trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority for the library, the library is not considered part of the District, and its operations will not be included in the financial statements of the District.

Parent Teacher Organization - The District is not involved in budgeting or management, nor is it responsible for any debt and has no influence over the organization.

The School District serves as fiscal agent for Region 4 of the Ohio School to Work. This organization is presented as an agency fund within the School District's financial statements. The School District is associated with three organizations, two of which are defined as jointly governed organizations, and one is a public entity risk pool. These organizations are the Southeastern Ohio Voluntary Education Cooperative (SEOVEC), the Gallia-Jackson-Vinton Joint Vocational School, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14 and 15 to the general purpose financial statements.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - Fund Accounting

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

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

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

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

Enterprise Fund - The enterprise fund is used to account for operations 1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

Fiduciary Fund Types Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, non-expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non-Expendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Debt Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

Measurement Focus

Governmental fund types are accounted for on a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Governmental funds' operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type income statements represent increases (e.g., revenues) and decreases (e.g., expenditures and other financing uses) in net total assets.

Basis of Accounting

The modified accrual basis of accounting is used for governmental, expendable trust and agency funds. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long term debt are recorded as fund liabilities when due and the costs of accumulated unpaid vacation, personal, and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial sources rather than in the period earned by the employees.

Revenues accrued at the end of the year consist of reimbursements from other governments for grant expenditures, interest, tuition, and student fees. Property tax measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

Proprietary and nonexpendable trust fund financial transactions are recorded on the accrual basis of accounting; revenues are recognized when earned and measurable; expenses are recognized when they are incurred, if measurable.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data

The District adopts annual appropriation budgets for all funds. The specific timetable for the fiscal year follows:

1. Prior to January 15, the District 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. A public hearing is publicized and conducted to obtain taxpayers comments.
2. By no later than January 20, the Board of Education adopted budget is filed with the Jackson County Budget Commission (the Commission) for rate determination.
3. Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the Commission and receives the Commission's Certificate of Estimated Resources (Certificate) 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. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued for the fiscal year 2000.

4. By July 1, the annual appropriation resolution or (temporary resolution) is legally enacted by the Board of Education. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations by fund must be within the estimated resources as certified by the Commission.
5. Revisions that alter appropriations for the total expenditure object category for each fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for fiscal year budgeted funds. Expenditures and year end encumbrances may not exceed appropriations at the total for each expenditure object category by fund (legal level of control). All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education by supplemental appropriations. There were no material revisions to appropriations for budgeted funds during the fiscal year ended June 30, 2000.
8. Unencumbered current year appropriations lapse at year end.

Encumbrances

Encumbrance accounting is utilized by the District for all funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to a commitment for a future expenditure and does not represent a liability. Encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis for governmental fund types, are disclosed in the notes to the financial statements for the enterprise funds and are reported as part of expenditures/expenses on a non-GAAP budgetary basis for all funds which have adopted budgets in order to demonstrate legal compliance.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances (Continued)

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when encumbered, or paid in cash (budget), as opposed to when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which include amendments to the original appropriation for each fund in each fund type budgeted on an annual basis by expenditure object and revenue source are presented in "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP) and Actual - All Governmental Fund Types and Similar Trust Funds". The amounts shown in the budget to actual comparisons include both the prior year carry forward appropriations and the current fiscal year appropriations and current fiscal year expenditures and encumbrances.

Cash and Cash Equivalents

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

During fiscal year 2000, investments were limited to STAROhio.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2000.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool, State Treasury Pool (STAROhio) and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when consumed. Under the consumption method, the District does not report a reserve for inventory in the accompanying financial statements. Inventories of proprietary funds consist of donated food and purchased food which are expended when used.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant and Equipment

General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 except for the cost of textbooks and library inventories which have been included as fixed assets for financial reporting purposes. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

Proprietary Funds

Property, plant, and equipment reflected in the Proprietary Fund Types are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Fixed assets in the Proprietary Funds contributed from other funds are offset by contributed capital. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

Capitalized Interest

The District does not capitalize interest for fixed assets acquired from governmental funds. There have been no debt-financed proprietary fund fixed asset acquisitions.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, endowment, and budget stabilization.

Intergovernmental Revenues

In Governmental Funds, entitlements and grants not based on reimbursement are recorded as accounts receivable and revenues when measurable and available. Reimbursement type grants are recorded as accounts receivable and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recorded as revenue when measurable and earned.

Interfund Transactions

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

All interfund transfers are reported as operating transfers.

Short-term interfund loans are classified as "interfund receivables" and "interfund payables".

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for employees after 10 years of current service with the District. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Long-term loans are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute.

Estimates

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

Total Columns on General Purpose Financial Statements

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

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2000, the following funds have deficit fund balances which were created by the application of generally accepted accounting principles.

| | |
|-------------------------------------|------------|
| <u>General Fund</u> | \$(23,613) |
| <u>Special Revenue Funds</u> | |
| Title VI - B | (140,084) |
| Disadvantaged Pupil Impact Aid Fund | (81,578) |
| Chapter 1 | (246,430) |
| Chapter 2 | (5,960) |
| Drug Free Grant | (11,007) |
| Preschool Grant | (23,078) |
| School Net | (1,495) |
| Eisenhower Math & Science | (12,995) |

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 4 - BUDGET TO GAAP RECONCILIATION

Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, and described above, is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Similar Trust 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 4 - BUDGET TO GAAP RECONCILIATION (Continued)

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

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

| | General Fund | Special Revenue Funds | Capital Projects Fund | Expendable Trust Fund |
|----------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|
| GAAP Basis | <u>\$(109,341)</u> | <u>\$(104,871)</u> | <u>\$ 887,846</u> | <u>\$291,925</u> |
| Adjustments: | | | | |
| Revenue Accruals | 54,124 | 615,623 | 629,655 | 5,612 |
| Expenditure Accruals | (263,441) | (328,626) | (1,084,396) | (4,595) |
| Encumbrances | (104,648) | (25,014) | (115,196) | (12,150) |
| Budget Basis | <u><u>\$(423,306)</u></u> | <u><u>\$ 157,112</u></u> | <u><u>\$ 317,909</u></u> | <u><u>\$280,792</u></u> |

Net Income/Excess of Revenues Over
Expenses and Advances
Proprietary Fund Type and Similar Trust Fund

| | Enterprise Fund | Non-Expendable Trust Fund |
|------------------|--------------------------|------------------------------|
| GAAP Basis | <u>\$ 15,389</u> | <u>\$54,124</u> |
| Adjustments: | | |
| Revenue Accruals | (48,389) | 0 |
| Expense Accruals | 13,452 | 913 |
| Encumbrances | 0 | (250) |
| Budget Basis | <u><u>\$(19,548)</u></u> | <u><u>\$54,787</u></u> |

NOTE 5 - CASH 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 commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either 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 moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the School 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 money deposited with the institution.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 5 - CASH DEPOSITS AND INVESTMENTS (Continued)

Interim moneys may be deposited or invested in the following securities

1. United States treasury notes, bills, bonds, or other obligations of or security issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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 obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand At year end, the School District had \$40 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits At year end, the carrying amount of the School District's deposits was \$4,869,957 and the bank balance was \$4,755,814. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$4,555,814 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 5 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | Interest Rate | Category | | | Carrying Amount | Fair Value |
|---|------------------|----------|---|---|--------------------|---------------|
| | | 1 | 2 | 3 | | |
| Investments: | | | | | | |
| Investment in State Treasurer's Investment Pool | NA | | | | \$3,410,252 | \$3,410,252 |
| Total Investments | | | | | \$3,410,252 | \$3,410,252 |

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | Cash and Cash Equivalents/Deposits | Investments |
|--------------------------------------|---------------------------------------|-------------|
| GASB Statement 9 | \$8,280,249 | \$ - |
| Investments of Cash Management Pool: | | |
| State Treasurer's Investment Pool | (3,410,252) | 3,410,252 |
| Cash on Hand | (40) | - |
| GASB Statement 3 | \$4,869,957 | \$3,410,252 |

NOTE 6 - ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

Debt outstanding on June 30, 2000, consisted of the following:

| Date Of Issue | Interest Rate | Maturity Date | Balance 7/1/99 | Additions | Deductions | Balance 6/30/00 |
|------------------------------|------------------|------------------|-------------------|-----------|------------|--------------------|
| Tax Anticipation Note | | | | | | |
| 4/15/96 | 4.65% | 10/15/99 | \$ 425,000 | \$ 0 | \$425,000 | \$ 0 |
| 4/15/96 | 4.85% | 10/15/00 | 425,000 | 0 | 0 | 425,000 |
| 4/15/96 | 4.95% | 10/15/01 | 425,000 | 0 | 0 | 425,000 |
| Total Long-Term Notes | | | 1,275,000 | 0 | 425,000 | 850,000 |
| Pension Obligation | | | 104,148 | 192 | 0 | 104,340 |
| Compensated Absences | | | 1,342,465 | 0 | 162,463 | 1,180,002 |
| Total | | | \$2,721,613 | \$ 192 | \$587,463 | \$2,134,342 |

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 6 - ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

Outstanding Tax Anticipation Notes were issued for school building improvements. Tax Anticipation Notes are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

Compensated absences and the pension obligations will be paid from the fund which the employees salaries are paid.

A summary of the District's future amortization of debt funding requirements as of June 30, 2000, follows:

| <u>Year of Funding</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------|-------------------|------------------|-------------------|
| 2001 | \$ 425,000 | \$ 31,344 | \$ 456,344 |
| 2002 | 425,000 | 10,519 | 435,519 |
| Total | <u>\$ 850,000</u> | <u>\$ 41,863</u> | <u>\$ 891,863</u> |

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid 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.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2000, was \$32,874 in the General Fund and \$8,474 in the Capital Project Fund.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 7 - PROPERTY TAXES (Continued)

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

| | 1999 Second- Half Collections | | 2000 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$121,407,740 | 76.11% | \$145,054,080 | 78.02% |
| Public Utility | 16,320,970 | 10.23% | 15,053,460 | 8.10% |
| Tangible Personal Property | 21,796,655 | 13.66% | 25,812,285 | 13.88% |
| Total Assessed Value | \$159,525,365 | 100.00% | \$185,919,825 | 100.00% |
| Tax rate per \$1,000 of assessed valuation | \$28.30 | | \$28.30 | |

NOTE 8 - RISK MANAGEMENT

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100 percent insured.

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the School District contracted with Nationwide Insurance for fleet insurance and liability insurance, and with Harcum- Hyre Insurance Agency for property insurance and boiler and machinery coverage. Coverages provided by these companies are as follows:

| | |
|--|--------------|
| Building and Contents (\$5,000 deductible) | \$33,789,700 |
| Boiler and Machinery (\$5,000 deductible) | 7,820,000 |
| Automobile Liability (\$100 deductible) | 1,000,000 |
| Uninsured Motorists (\$100 deductible) | 1,000,000 |
| Employee Benefits Liability (Aggregate) | 500,000 |
| General Liability (\$100 deductible) | |
| Per occurrence | 2,000,000 |
| Aggregate | 5,000,000 |

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

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage 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.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 8 - RISK MANAGEMENT (Continued)

Medical/surgical and dental insurance is offered to employees through commercial insurance companies. The District had established a self-insurance fund August 1, 1990. This program was discontinued as of June 1, 1995, when the District became fully insured through United Health Care. The fund balance as of June 30, 2000, was \$618,797. The fund was to be kept open for run off claims during the 2000 fiscal year.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2000, consist of both property taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follows:

| | |
|-------------------------------------|------------------------|
| <u>General Fund</u> | |
| CAFS | \$ 3,191 |
| | |
| <u>Enterprise Funds</u> | |
| Food Service | <u>38,493</u> |
| | |
| Total Intergovernmental Receivables | <u><u>\$41,684</u></u> |

NOTE 10 - FIXED ASSETS

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

| | |
|-------------------------------|-------------------------|
| Furniture and Equipment | \$ 225,121 |
| Less Accumulated Depreciation | (171,391) |
| Net Fixed Assets | <u><u>\$ 53,730</u></u> |

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

| Asset Category | Balance at 6/30/99 | Additions | Deletions | Balance at 6/30/00 |
|---------------------------|----------------------------|--------------------------|--------------------------|----------------------------|
| Land | \$ 130,929 | \$ 0 | \$ 0 | \$ 130,929 |
| Building and Improvements | 6,065,757 | 8,000 | 0 | 6,073,757 |
| Furniture/Equipment | 2,970,575 | 105,055 | 162,648 | 2,912,982 |
| Vehicles | 1,566,132 | 117,669 | 0 | 1,683,801 |
| Books | 686,131 | 1,398 | 0 | 687,529 |
| Infrastructure | 206,570 | 0 | 0 | 206,570 |
| | | | | |
| Total | <u><u>\$11,626,094</u></u> | <u><u>\$ 232,122</u></u> | <u><u>\$ 162,648</u></u> | <u><u>\$11,695,568</u></u> |

NOTE 11 - PENSION OBLIGATIONS

A. School Employees Retirement System

The Jackson City Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined 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 state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614)222-5853.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 11 - PENSION OBLIGATIONS (Continued)

A. School Employees Retirement System (continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 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 School District's contributions to SERS for the fiscal years ending June 30, 1998, 1999, and 2000 was \$217,290, \$200,921, and \$233,605 respectively, 23 percent has been contributed for fiscal year 2000, and 100 percent for the fiscal years 1999 and 1998. \$179,573 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Jackson City Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614)227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 8 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contribution for pension obligations to STRS for the fiscal years ending June 30, 1998, 1999, and 2000 was \$814,718, \$747,770, and \$472,957 respectively, 63.55 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$172,350 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the health Care Reserve Fund. For the District, this amount equaled \$594,272 during fiscal year 2000.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999 (the latest information available) balance in the Fund was \$2,783 million. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 6.3 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$146,548 during the 2000 fiscal year.

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 285 days for all personnel. Upon retirement, payment is made for one-fourth of the first 285 days for certified employees and 250 days for classified employees of accrued, but unused sick leave credit.

B. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to most employees through the Metropolitan Life Insurance Company.

NOTE 14 - INSURANCE PURCHASING POOL

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

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

A. Southeast Ohio Voluntary Educational Consortium

The Southeastern Ohio Voluntary Educational Consortium (SEOVEC) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. SEOVEC has 36 participants in 10 Ohio counties. SEOVEC provides data processing services with the major emphasis being placed on fiscal services including fund, accounting, inventory control, and payroll services. The data center also provides non-fiscal services including attendance reporting, educational management information system, standardized testing, special education records, and vehicle information systems. SEOVEC's governing board consists of representatives from each of the ten counties. The continuing existence of SEOVEC is not dependent on the School District's continued participation and no equity interest exists. Financial information can be obtained from their fiscal agent at 221 North Columbus Road, P.O. Box 1250, Athens, Ohio 45701.

B. Gallia-Jackson-Vinton Joint Vocational School

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from Gallia County Local School District, Gallipolis City School District, Jackson City School District, Oak Hill Exempted Village School District, Vinton County Local School District and the Gallia-Vinton Educational Service Center, which possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, P.O. Box 157, Rio Grande, Ohio 45674.

NOTE 16 - CONTINGENCIES

Grants

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

Litigation

As of June 30, 2000, the District is a defendant in a lawsuit, filed by a contractor hired by the board, alleging personal injury. The case is currently pending in the Jackson County Court of Common Pleas. No liability has been accrued on the balance sheet.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2000

NOTE 17 - SUPREME COURT CASE DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$8,729,114 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

| | Textbook Reserve | Capital Maintenance Reserve | Budget Stabilization Reserve | Total |
|---------------------------|---------------------|-----------------------------------|------------------------------------|-------------|
| Balance 07/01/1999 | \$0 | \$0 | \$78,303 | \$78,303 |
| Required Set-Aside | 361,612 | 361,612 | 0 | 723,224 |
| Offset Credits | (396,397) | (396,397) | 0 | (792,794) |
| Qualifying Expenditures | (239,909) | (394,256) | 0 | (634,165) |
| Balance 06/30/2000 | (274,694) | (429,041) | 78,303 | (625,432) |
| Amount Carried to FY 2000 | \$(274,694) | \$(429,041) | \$78,303 | \$(625,432) |

The School district had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may be used to reduce the set-aside requirements of future years. Negative amounts are presented as being carried forward to the next fiscal year. An addition to the budget stabilization reserve was not required by the School District due to the revenues between the two years not increasing by more than 3 percent.

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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NOTE 19 - DEFERRED COMPENSATION

School District employees may participate in the Ohio Public Employees Deferred Compensation program, created in accordance with internal Revenue Service Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or in the case of an unforeseeable emergency.

Under the Ohio Public Employees Deferred Compensation Program, all plan assets are now being held in a trust arrangement for the exclusive benefit of participants and their beneficiaries, as required by the Small business Job Protection Act of 1996. The assets of these plans are not reflected in the combined financial statements of the School District.

NOTE 20 - INTERFUND ACTIVITY

Interfund balances at June 30, 2000, consist of the following individual fund receivables and payables:

| | Interfund Receivable | Interfund Payable |
|------------------------------|-------------------------|----------------------|
| <u>General Fund</u> | <u>\$ 326,991</u> | <u>\$ 0</u> |
| <i>Special Revenue Funds</i> | | |
| Eisenhower Math & Science | 0 | 12,770 |
| Title VI-B | 0 | 98,649 |
| Chapter 1 | 0 | 183,219 |
| Chapter 2 | 0 | 4,125 |
| Drug Free Grant | 0 | 8,208 |
| Preschool Grant | 0 | 20,020 |
| Total Special Revenue Funds | <u>0</u> | <u>326,991</u> |
| Total All Funds | <u>\$ 326,991</u> | <u>\$326,991</u> |
| | Due From Funds | Due To Funds |
| <u>General Fund</u> | <u>\$2,752</u> | <u>\$ 0</u> |
| <i>Special Revenue Funds</i> | | |
| Title VI-B | 0 | 644 |
| DPIA | 0 | 2,108 |
| Total Special Revenue Funds | <u>0</u> | <u>2,752</u> |
| Total All Funds | <u>\$2,752</u> | <u>\$2,752</u> |

JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

| Federal Grantor/Pass Through Grantor Program Title | Pass Through Federal Entity Number | CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|---|--|----------------|------------------|----------------------|--------------------|---------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Pass through the Ohio Department of Education</i> | | | | | | |
| NUTRITION CLUSTER | | | | | | |
| Food Distribution Program | N/A | 10.550 | \$0 | \$55,643 | \$0 | \$55,956 |
| School Breakfast Program | 05-PU 98 | 10.553 | 52,966 | 0 | 52,966 | 0 |
| National School Lunch Program | 04-PU 98 | 10.555 | 248,213 | 0 | 248,213 | 0 |
| Total U.S. Department of Agriculture - Nutrition Cluster | | | 301,179 | 55,643 | 301,179 | 55,956 |
| U.S. DEPARTMENT OF LABOR | | | | | | |
| <i>Pass through the Ohio Department of Education</i> | | | | | | |
| School to Work | WK-BE | 17.249 | 13,755 | 0 | 16,578 | 0 |
| Total U.S. Department of Labor | | | 13,755 | 0 | 16,578 | 0 |
| U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES | | | | | | |
| <i>Pass through State Board of MRDD</i> | | | | | | |
| Community Alternative Funding System | NA | 93.778 | 52,459 | 0 | 52,459 | 0 |
| Total U.S. Department of Health & Human Services | | | 52,459 | 0 | 52,459 | 0 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Pass through the Ohio Department of Education</i> | | | | | | |
| SPECIAL EDUCATION CLUSTER | | | | | | |
| Special Education Preschool Grant | PG-S1 | 84.173 | 28,083 | 0 | 19,288 | 0 |
| Special Education Grants to States | 6B-SF | 84.027 | 127,315 | 0 | 125,223 | 0 |
| Total U.S. Department of Education - Special Education Cluster | | | 155,398 | 0 | 144,511 | 0 |
| Title I | C1-S1 | 84.010 | 384,553 | | 427,471 | |
| Goals 2000 | G2-S1 | 84.276 | 15,000 | | 25,060 | |
| Drug Free Schools Grant | DR-S1 | 84.186 | 3,518 | 0 | 3,518 | 0 |
| Eisenhower Professional Development | MS-S1 | 84.281 | 4,643 | 0 | 28,102 | 0 |
| Innovative Educational Program Strategy | C2-S1 | 84.298 | 4,128 | 0 | 10,752 | 0 |
| Total U.S. Department of Education | | | 567,240 | 0 | 639,414 | 0 |
| Total Federal Awards and Expenditures | | | \$934,633 | \$55,643 | \$1,009,630 | \$55,956 |

N/A = Pass through entity number is not available for this grant.
See notes to Schedule of Federal Awards Expenditures.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - - FOOD DISTRIBUTIONS

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the School District had no significant food commodities in inventory.

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*

Members of the Board Education
Jackson City School District
379 E. South Street
Jackson, Ohio 45640

We have audited the financial statements of the Jackson City School District, Jackson County, as of and for the year ended June 30, 2000, and have issued our report thereon dated October 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jackson City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing and opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated October 12, 2000.

Internal Control Over Financial Reporting

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

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.
Certified Public Accountant

October 12, 2000

MICHAEL A. BALESTRA, CPA, INC.
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Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB circular A-133

Members of the Board of Education
Jackson City School District
379 E. South Street
Jackson, Ohio 45640

Compliance

We have audited the compliance of the Jackson City 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 each of its major federal programs for the year ended June 30, 2000. Jackson City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson City School District's management. Our responsibility is to express an opinion on Jackson City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 Jackson City 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 Jackson City School District's compliance with those requirements.

In our opinion, Jackson City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Jackson City 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 Jackson City School District's internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of the Board of Education
Jackson City School District
Report on compliance with requirements applicable
to each major program and internal control over
compliance in accordance with OMB circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and members of the Board, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.
Certified Public Accountant

October 12, 2000

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under section .510? | No |
| (d)(1)(vii) | Major Programs (list): | Title I, CFDA# 84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY
JUNE 30, 2000**

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

| | |
|----------------|------|
| Finding Number | None |
|----------------|------|

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

| | |
|---------------------------|------|
| Finding Number | None |
| CFDA Title and Number | |
| Federal Award Number/Year | |
| Federal Agency | |
| Pass-Through Agency | |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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JACKSON CITY SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 12, 2000**