



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**REGULAR AUDIT**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups As of June 30, 2001 .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001 .....	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Budget (Non GAAP Budgetary Basis) and Actual - All Governmental Fund Types For the Fiscal Year Ended June 30, 2001 .....	8
Statement of Revenues, Expenses, and Changes in Fund Equity Proprietary Fund Type - For the Fiscal Year Ended June 30, 2001 .....	10
Statement of Cash Flows - Proprietary Fund Type - For the Fiscal Year Ended June 30, 2001 .....	11
Notes to the General-Purpose Financial Statements .....	13
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	37

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Jackson Center Local School District, Shelby County, (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3, for the year ended June 30, 2001, the District implemented Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

September 28, 2001

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS OF JUNE 30, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Project</b>
<b>Assets and Other Debits</b>				
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,102,146	\$137,034	\$99,819	\$4,895,608
Cash with Fiscal and Escrow Agents		5,855		
Receivables:				
Taxes	1,583,635		94,718	46,410
Accounts Intergovernmental	17,374	6,066		
Accrued Interest	884	946		
Materials and Supplies Inventory	5,501			
Inventory Held for Resale				
Restricted Assets:				
Equity in Pooled Cash and Cash Equiv.	23,100			
Fixed Assets, (Net where applicable of Accumulated Depreciation)				
<b>Other Debits</b>				
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt				
Amount to be Provided for Retirement of General Long-Term Debt				
<b>Total Assets</b>	<b>2,732,640</b>	<b>149,901</b>	<b>194,537</b>	<b>4,942,018</b>
<b>Liabilities</b>				
Accounts Payable	20,645	1,968		14,566
Accrued Wages and Benefits	249,660	6,867		
Compensated Absences Payable	16,255			
Intergovernmental Payable	56,038	961		
Deferred Revenue	1,436,854		86,619	42,199
Due to Students				
Notes Payable				4,780,000
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<b>1,779,452</b>	<b>9,796</b>	<b>86,619</b>	<b>4,836,765</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	24,793	8,779		32,465
Reserved for Inventory	5,501			
Reserved for Budget Stabilization	11,061			
Reserved for Textbook/Instructional	4,312			
Reserved for Taxes	146,781		8,099	4,211
Reserved for Bus Purchase	7,727			
Unreserved:				
Undesignated	753,013	131,326	99,819	68,577
<b>Total Fund Equity</b>	<b>953,188</b>	<b>140,105</b>	<b>107,918</b>	<b>105,253</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$2,732,640</b>	<b>\$149,901</b>	<b>\$194,537</b>	<b>\$4,942,018</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$5,104	\$6,813			\$6,246,524 5,855
				1,724,763 23,440 946 884 5,501 5,301
5,301				23,100
10,699		\$1,974,547		1,985,246
			\$107,918	107,918
			298,121	298,121
21,104	6,813	1,974,547	406,039	10,427,599
268				37,447
10,470				266,997
4,446			204,324	225,025
6,998			31,715	95,712
3,658				1,569,330
	6,813			6,813
				4,780,000
			170,000	170,000
25,840	6,813		406,039	7,151,324
		1,974,547		1,974,547
(4,736)				(4,736)
				66,037 5,501 11,061 4,312 159,091 7,727
				1,052,735
(4,736)	0	1,974,547	0	3,276,275
<u>\$21,104</u>	<u>\$6,813</u>	<u>\$1,974,547</u>	<u>\$406,039</u>	<u>\$10,427,599</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	
<b>Revenues:</b>					
Property Taxes	\$1,487,908		\$91,994	\$45,785	\$1,625,687
Intergovernmental	1,277,230	\$200,955	7,547	31,824	1,517,556
Interest	90,933				90,933
Tuition and Fees	307,288	1,615			308,903
Rent	1,800				1,800
Extracurricular Activities		99,991			99,991
Miscellaneous	19,399	9,239			28,638
<b>Total Revenues</b>	<b>3,184,558</b>	<b>311,800</b>	<b>99,541</b>	<b>77,609</b>	<b>3,673,508</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	1,571,232	63,148		26,486	1,660,866
Special	230,819	72,401			303,220
Vocational	45,374				45,374
Support Services:					
Pupils	166,870	5,259			172,129
Instructional Staff	167,683	16,438			184,121
Board of Education	10,135	600			10,735
Administration	357,874	4,890		160	362,924
Fiscal	123,943	3,800	1,297	680	129,720
Operation and Maintenance of Plant	253,027				253,027
Pupil Transportation	116,949				116,949
Operation of Non-Instructional Services					
Extracurricular Activities	70,394	109,580			179,974
Capital Outlay	2,589	4,008		36,957	43,554
Debt Service:					
Principal Retirement			55,000		55,000
Interest and Fiscal Charges			16,047		16,047
<b>Total Expenditures</b>	<b>3,116,889</b>	<b>280,124</b>	<b>72,344</b>	<b>64,283</b>	<b>3,533,640</b>
Excess of Revenues Over (Under) Expenditures	67,669	31,676	27,197	13,326	139,868
<b>Other Financing Sources (Uses):</b>					
Proceeds from Sale of Fixed Assets	1,739				1,739
Refund of Prior Year Expenditures	18,415				18,415
Transfer - In		1,200			1,200
Transfer - Out	(1,200)				(1,200)
<b>Total Other Financing Sources (Uses)</b>	<b>18,954</b>	<b>1,200</b>	<b>0</b>	<b>0</b>	<b>20,154</b>
Excess of Revenues and Other Financing Sources Over/Under Expenditures and Other Financing Uses	86,623	32,876	27,197	13,326	160,022
Fund Balances at Beginning of Year	866,565	107,229	80,721	91,927	1,146,442
<b>Fund Balances at End of Year</b>	<b>\$953,188</b>	<b>\$140,105</b>	<b>\$107,918</b>	<b>\$105,253</b>	<b>\$1,306,464</b>

See accompanying notes to the general purpose financial statements.

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$1,401,883	\$1,507,825	\$105,942			
Intergovernmental	1,100,000	1,277,430	177,430	\$109,729	\$161,751	\$52,022
Interest	60,000	92,426	32,426			
Tuition and Fees	363,000	290,246	(72,754)	500	1,615	1,115
Rent	3,600	1,800	(1,800)			
Extracurricular Activities				69,300	100,104	30,804
Miscellaneous	17,000	19,399	2,399	11,100	9,465	(1,635)
<b>Total Revenues</b>	<b>2,945,483</b>	<b>3,189,126</b>	<b>243,643</b>	<b>190,629</b>	<b>272,935</b>	<b>82,306</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	1,585,767	1,575,508	10,259	76,662	66,131	10,531
Special	236,272	230,041	6,231	60,161	51,629	8,532
Vocational	52,897	51,393	1,504			
Support Services:						
Pupils	167,363	167,349	14	4,802	2,100	2,702
Instructional Staff	186,808	165,837	20,971	22,034	9,429	12,605
Board of Education	12,150	10,349	1,801	2,400	1,200	1,200
Administration	363,580	357,829	5,751	7,136	4,789	2,347
Fiscal	162,597	129,743	32,854	4,306	3,800	506
Operation and Maintenance of Plant	277,824	264,609	13,215			
Pupil Transportation	124,691	114,987	9,704			
Extracurricular Activities	73,170	69,666	3,504	118,163	114,345	3,818
Capital Outlay	30,000	5,302	24,698	4,010	4,008	2
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
<b>Total Expenditures</b>	<b>3,273,119</b>	<b>3,142,613</b>	<b>130,506</b>	<b>299,674</b>	<b>257,431</b>	<b>42,243</b>
Excess of Revenues Over (Under) Expenditures	(327,636)	46,513	374,149	(109,045)	15,504	124,549
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Fixed Assets		1,739	1,739			
Refund of Prior Year Expenditures	500	18,415	17,915			
Proceeds from Sale of Notes						
Transfers-In				1,200	1,200	
Transfer-Out	(1,200)	(1,200)				
Advances - In	8,500	8,500				
Advances - Out					(8,500)	(8,500)
<b>Total Other Financing Sources (Uses)</b>	<b>7,800</b>	<b>27,454</b>	<b>19,654</b>	<b>1,200</b>	<b>(7,300)</b>	<b>(8,500)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(319,836)	73,967	393,803	(107,845)	8,204	116,049
Fund Balances at Beginning of Year	935,002	935,002		104,991	104,991	
Prior Year Encumbrances Appropriated	37,258	37,258		13,516	13,516	
<b>Fund Balances at End of Year</b>	<b>\$652,424</b>	<b>\$1,046,227</b>	<b>\$393,803</b>	<b>\$10,662</b>	<b>\$126,711</b>	<b>\$116,049</b>

See accompanying notes to the general purpose financial statements.

Debt Service			Capital Project		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$94,000	\$92,537	(\$1,463)	\$23,726	\$46,042	\$22,316
7,700	7,547	(153)	32,900	31,824	(1,076)
101,700	100,084	(1,616)	56,626	77,866	21,240
			36,226	35,486	740
1,900	1,297	603	160	160	320
			1,000	680	
			66,000	60,422	5,578
55,000	55,000				
16,500	16,047	453			
73,400	72,344	1,056	103,386	96,748	6,638
28,300	27,740	(560)	(46,760)	(18,882)	27,878
				4,780,000	4,780,000
0	0	0	0	4,780,000	4,780,000
28,300	27,740	(560)	(46,760)	4,761,118	4,807,878
72,080	72,080		83,674	83,674	
0	0		3,786	3,786	
<u>\$100,380</u>	<u>\$99,820</u>	<u>(\$560)</u>	<u>\$40,700</u>	<u>\$4,848,578</u>	<u>\$4,807,878</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND EQUITY  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$111,275
Tuition	553
Miscellaneous	18
<b>Total Operating Revenue</b>	111,846
<b>Operating Expenses:</b>	
Salaries & Wages	66,868
Fringe Benefits	19,995
Purchased Services	7,434
Cost of Sales	70,348
Depreciation	277
<b>Total Operating Expenses</b>	164,922
Operating Income (Loss)	(53,076)
<b>Non-Operating Revenues/Expenses</b>	
Intergovernmental Revenue	28,360
Federal Donated Commodities	13,630
Interest	304
<b>Total Non-Operating Revenue/Expenses</b>	42,294
Net Income (Loss)	(10,782)
Retained Earnings/Fund Balance at Beginning of Year	6,046
<b>Total Fund Equity at End of Year</b>	<b>(\$4,736)</b>

*See accompanying notes to the general purpose financial statements.*

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$111,896
Other Operating Receipts	18
Cash Payments for Employee Services and Benefits	(86,830)
Cash Payments to Suppliers for Goods and Services	(63,532)
Net Cash Used In Operating Activities	(38,448)
Cash Flows from Capital Financing Activities:	
Cash Payments for Equipment	(2,000)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	28,360
Cash Flows from Investing Activities:	
Interest	304
Net Increase (Decrease) in Cash and Cash Equivalents	(11,784)
Cash and Cash Equivalents Beginning of Year	16,888
Cash and Cash Equivalents End of Year	\$5,104
<b>Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:</b>	
Operating Income (Loss)	(\$53,076)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used In Operating Activities:	
Depreciation	277
Donated Commodities Received	13,630
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	68
(Increase)/Decrease in Materials and Supplies	219
(Increase)/Decrease in Inventory Held for Resale	333
Increase/(Decrease) in Accounts Payable	68
Increase/(Decrease) in Accrued Salaries Payable	437
Increase/(Decrease) in Intergovernmental Payable	(442)
Increase/(Decrease) in Compensated Absences Payable	38
Net Cash Used In Operating Activities	(\$38,448)

*See accompanying notes to the general purpose financial statements.*

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

Jackson Center Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities which are staffed by 25 non-certificated employees, 41 certificated full time teaching personnel and 3 administrative employees that provide services to 577 students and other community members

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay Township (Auglaize) and Stokes Township (Logan). The District is the 588th largest in the State of Ohio (among 612 school districts) in terms of enrollment.

**A. Reporting Entity**

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

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

The District does not have any component units.

The District is associated with the Western Ohio Computer Organization (WOCO), Southwestern Ohio Educational Purchasing Cooperative (SOEPC), Southwestern Ohio Instructional Technology Association (SOITA), and Shelby County Local Professional Development Consortium, jointly governed organizations. The District is also associated with the Southwestern Ohio Educational Purchasing Cooperative Workers' Compensation Group Rating Plan and the Shelby County Schools Consortium, which are classified as insurance purchasing pools. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

**1. Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**Debt Service Fund**

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

**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).

**2. Proprietary Fund Type:**

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

**Enterprise Fund**

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

**3. Fiduciary Fund Types**

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

**4. Account Groups**

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

**General Fixed Assets Account Group**

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

**General Long-Term Obligations Account Group**

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

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

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

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

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

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

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

On the accrual basis of accounting expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Process**

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

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

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

**1. Tax Budget**

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**2. Estimated Resources**

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

**3. Appropriations**

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

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

**4. Encumbrances**

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including the proprietary fund, are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet. The balance of various grant activity administered by another governmental agency, and held with the fiscal agent outside the District Treasury, is presented on the balance sheet as "cash with fiscal agent," and represents deposits.

For the year 2001, investments were limited to certificates of deposit, which are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001, amounted to \$90,933, which includes \$25,948 assigned from other District funds. In addition, the proprietary fund received \$304 in interest.

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

**E. Inventory**

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

**F. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set aside by the District for the purchase of textbooks, for the acquisition or construction of capital assets, for budget stabilization, and for school bus purchases. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**G. Fixed Assets and Depreciation**

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

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

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

**H. Intergovernmental Revenues**

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

**Entitlements**

**General Fund**

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

**Non-Reimbursable Grants**

**Special Revenue Funds**

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

**Capital Projects**

- School Net Plus
- IVDL Grant



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**Reimbursable Grants**

**Special Revenue Fund**

Telecommunications Act Grant

**Proprietary Funds**

National School Lunch Program

Government Donated Commodities

Grants and entitlements received in governmental funds amounted to approximately 41 percent of the District's governmental fund revenue during the 2001 fiscal year.

**I. Compensated Absences**

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

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

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

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

**K. Inter-fund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**L. 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 expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

Fund equity reserves have been established for encumbrances, inventories of supplies and material, budget stabilization, textbook/instruction, school bus purchases, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The amount of the reserve for budget stabilization is the set-aside required for the Bureau of Workmens Compensation refunds.

**M. Estimates**

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

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

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

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the District has implemented Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non exchange Transactions*. This statement established accounting and reporting guidelines for non exchange transactions in which a government receives or gives value without directly receiving (or giving) equal value in exchange. Implementation of this statement did not affect the financial statements as of June 30, 2000.

**4. ACCOUNTABILITY**

At June 30, 2001, the enterprise fund had a deficit fund balance of \$4,736. The deficit was the result of the application of generally accepted accounting principles.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	\$ 86,623	\$ 32,876	\$27,197	\$13,326
Revenue Accruals	13,068	(7,458)	543	257
Expenditure Accruals	44,871	(6,585)	0	14,566
Proceeds from the Sale of Notes				4,780,000
Excess or Revenue over (under) Expenditures for Non-Budgeted Funds		(307)		
Encumbrances Outstanding at Year-end (Budget Basis)	(70,595)	(10,322)	0	(47,031)
Budget Basis	<u>\$ 73,967</u>	<u>\$ 8,204</u>	<u>\$27,740</u>	<u>\$4,761,118</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**6. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

Investments in stripped principal or interest obligation, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

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

The "Cash and Cash Equivalents with Fiscal Agent" of \$5,855 shown in the special revenue funds is maintained with the Shelby County Educational Service Center. GASB 3 disclosures regarding this amount can be obtained from their annual report.

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

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$6,269,474 and the bank balance was \$6,279,078. Of the bank balance, \$242,652 was covered by federal depository insurance; and \$6,036,426 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County held to a successful claim by the FDIC

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. For 2001, real property tax levied after April 1, 2000, on the assessed value as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**7. PROPERTY TAXES (Continued)**

Tangible personal property tax revenue received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for calendar year 2001 were levied after April 1, 2001, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, 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, public utility, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2001, was \$146,781 in the general fund, \$8,099 in the debt service bond retirement fund and \$4,211 in the permanent improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	<b>2000 Second- Half Collections</b>		<b>2001 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential And Other Real Estate	\$34,960,250	66%	\$35,963,763	66%
Public Utility	2,976,420	6%	3,780,490	7%
Tangible Personal Property	14,461,524	28%	15,277,897	27%
Total Assessed Value	<u>\$52,398,194</u>	<u>100%</u>	<u>\$55,022,150</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	\$42.0		\$42.0	

**8. RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (billings for user charged services and student fees), interest, 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**9. FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$ 87,826
Less Accumulated Depreciation	<u>(77,127)</u>
Net Fixed Assets	<u><u>\$ 10,699</u></u>

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

<u>Asset Category</u>	<u>Balance at 06/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 06/30/01</u>
Land and Improvements	\$ 38,002	\$ 0	\$ 0	\$ 38,002
Buildings and Improvements	904,246	0	0	904,246
Furniture, Fixtures and Equipment	735,579	81,203	12,280	804,502
Vehicles	227,797	0	0	227,797
Totals	<u><u>\$1,905,624</u></u>	<u><u>\$81,203</u></u>	<u><u>\$12,280</u></u>	<u><u>\$1,974,547</u></u>

**10. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted with Nationwide Insurance Company through Eilerman Insurance Agency for property and fleet insurance, and inland marine coverage. The District contracted with Nationwide Mutual Insurance Company through Harcum Insurance Agency for liability insurance.

Coverages provided by Nationwide Insurance Company are as follows:

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

Coverages provided by Nationwide Mutual Insurance Company are as follows:

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**10. RISK MANAGEMENT (Continued)**

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

The District participates in the Shelby County Schools Consortium, a group purchasing pool (Note 17) consisting of seven school districts and an educational service center. The District pays monthly premiums to Anthem Blue Cross/Blue Shield for medical and dental benefits, and also pays a monthly premium to Medical Life for life insurance benefits.

**C. Worker's Compensation**

For fiscal year 2001, the District participated in the Southwestern Ohio Educational Purchasing Cooperative, Workers' Compensation Group Grating Program, an insurance purchasing pool (Note 17). The Plan is intended to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan.

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

**11. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. For fiscal year 2001, 4.2 percent was the portion to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory requirements, by the SERS's Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ending June 30, 2001, 2000, and 1999 were \$21,489, \$21,438 and \$28,605 respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$35,868 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds and the general long-term debt account group.



**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 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 contributions for pension obligations to STRS for the fiscal years ending June 30, 2001, 2000, and 1999 were \$110,844, \$101,985, and \$96,774, respectively; 84 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$42,180 representing the unpaid contribution for fiscal year 2001 is recorded as a liability within the respective funds.

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$149,490 during the 2001 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 million at June 30, 2000 (latest information available). For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**12. POSTEMPLOYMENT BENEFITS (Continued)**

For this fiscal year June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, equaled \$43,983 during the 2001 fiscal year.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expense for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**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 five to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for certified personnel and 170 days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 35 days for certified employees and 35 days for classified employees.

**B. Health Care Benefits**

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

**14. SHORT-TERM OBLIGATIONS**

The District purchased a short-term note on June 19, 2001, in the amount of \$4,780,000. The note bears an interest rate of 3.53% and will mature on December 13, 2001. The note is issued in anticipation of a long-term bond issue for the construction and improvement of the District's buildings. The District residents have approved a bond levy to finance the \$4,780,000 in improvements to the District's buildings. Bonds were issued on September 17, 2001.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**15. LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	<b>Principal Outstanding 6/30/00</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/01</b>
School Improvement Bond 1980	\$225,000	\$ 0	\$ 55,000	\$170,000
Intergovernmental Payable	33,766	31,715	33,766	31,715
Compensated Absences	218,494	0	14,170	204,324
Total Long-Term Obligations	<u>\$477,260</u>	<u>\$31,715</u>	<u>\$102,936</u>	<u>\$406,039</u>

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

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

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

The District's overall legal debt margin was \$4,951,994, and un-voted debt margin of \$55,022 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

<b>Fiscal year Ending June 30</b>	<b>Bonds Payable</b>
2002	\$ 66,578
2003	62,109
2004	<u>62,438</u>
Total	<u>\$191,125</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**Western Ohio Computer Organization (WOCO)** - The District is a participant in the Western Ohio Computer Organization which is a computer consortium. WOCO is an association of the public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member schools within each county plus one representative and the fiscal agent. WOCO is not accumulating significant financial resources nor is it experiencing financial stress that may cause an additional financial benefit or burden to the District. The District paid WOCO \$10,736 for services provided during the year. Financial information can be obtained from Sonny Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

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

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

**Southwestern Ohio Instructional Technology Association (SOITA)** - SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institution. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler counties elect two representatives per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members as the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets will be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2001, the District paid \$2,740 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

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

**Shelby County Local Professional Development Consortium** - The District is a participant in the Shelby County Local Professional Development Consortium which is a regional council of governments in accordance with Chapter 167 of the Ohio Revised Code. The Consortium was established to provide educator license/certificate renewal standards and procedures for professional growth. The Consortium is made up of the public school districts and the educational service center in Shelby County. The executive committee consists of one teacher representative from each of the school districts and the educational service center, one superintendent elected by the superintendents, one principal elected by the principals, one administrator employed by the Shelby County Educational Service Center and one treasurer elected by the treasurers. The District had no financial transactions with the Consortium during fiscal year 2001. Financial information can be obtained from Louis Ivey, who serves as director, at 129 E. Court Street, Sidney, Ohio 45365.

**17. GROUP PURCHASING POOLS**

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

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

**18. SCHOOL FUNDING COURT DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**18. SCHOOL FUNDING COURT DECISION (Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of September 28, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts.

Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

**19. SET-ASIDE CALCULATIONS**

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute. We have also disclosed the balance reserved for school bus purchases.

	<u>Textbooks</u>	<u>Capital Acquisitions</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 1999	\$ 0	\$ 0	\$34,500
Statutory Elimination of Budget Stabilization (Per H.B. 345)			(23,439)
Current Year Set-aside Requirement	70,534	70,534	
Current Year Offsets	0	(46,042)	
Qualifying Disbursements	<u>(66,222)</u>	<u>(33,661)</u>	
Cash Carried Forward to Fiscal Year 2001	<u>\$ 4,312</u>	<u>\$( 9,169)</u>	<u>\$11,061</u>
Amount Restricted for Bus Purchases			<u>\$ 7,727</u>

The cash carried forward for budget stabilization, represents the Bureau of Workers Compensation rebates received in previous fiscal years.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001  
(Continued)**

**20. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**21. SUBSEQUENT EVENTS**

On September 17, 2001, the District issued \$4,780,000, in general obligation bonds to retire the bond anticipation notes.

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Members of the Board of Education:

We have audited the financial statements of the Jackson Center Local School District (the District), Shelby County, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated September 28, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated September 28, 2001.

Jackson Center Local School District  
Shelby County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

September 28, 2001



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Facsimile 614-466-4490

**JACKSON CENTER LOCAL SCHOOL DISTRICT**

**SHELBY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 8, 2001**