

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**CASH BASIS BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012***

**TONY MEYER, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Jackson Center Local School District  
204 South Linden Street  
Jackson Center, Ohio 45334

We have reviewed the *Independent Accountants' Report* of the Jackson Center Local School District, Shelby County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 Center Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

February 6, 2013

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**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

CASH BASIS BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**Julian & Grube, Inc.**  
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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Jackson Center Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Jackson Center Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the Jackson Center Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund for the fiscal year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012, on our consideration of the Jackson Center Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report  
Jackson Center Local School District  
Page Two

We conducted our audit to opine on the Jackson Center Local School District's financial statements taken as a whole. Management's Discussion & Analysis on pages 3 through 12 includes tables of net cash assets, change in net cash assets, governmental activities, governmental cash fund balances, general fund cash receipts and disbursements, and long-term obligations. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



Julian & Grube, Inc.  
December 6, 2012

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- In total, net cash assets of governmental activities decreased \$168,678, which represents a 16.00% decrease from fiscal year 2011.
- General cash receipts accounted for \$4,350,537 or 75.96% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,377,029 or 24.04% of total governmental activities cash receipts of \$5,727,566.
- The District had \$5,896,244 in cash disbursements related to governmental activities; \$1,377,029 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,350,537 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$4,642,770 in cash receipts and \$4,760,337 in cash disbursements and other financing uses. During fiscal year 2012, the general fund's fund cash balance decreased \$117,567 from \$755,270 to \$637,703.
- The bond retirement fund had \$380,414 in cash receipts and \$390,424 in cash disbursements. During fiscal year 2012, the bond retirement fund's fund cash balance decreased \$10,010 from \$241,029 to \$231,019.

**Using the Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Reporting the District as a Whole**

*Statement of Net Assets – Cash Basis and the Statement of Activities – Cash Basis*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, “How did we do financially during fiscal year 2012?” The statement of net assets – cash basis and the statement of activities – cash basis answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting takes into account only the current year’s receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets – cash basis and the statement of activities – cash basis, the governmental activities include the District’s programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

**Reporting the District’s Most Significant Funds**

*Fund Financial Statements*

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-17 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. Only the cash held at year end is reported in a separate statement of fiduciary net assets – cash basis on page 18. This cash is excluded from the District's other financial statements because the cash cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-40 of this report.

**The District as a Whole**

Recall that the statement of net assets – cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets at June 30, 2012 and June 30, 2011.

	<b>Net Cash Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	\$ 885,773	\$ 1,054,451
Total assets	<u>885,773</u>	<u>1,054,451</u>
<b><u>Net cash assets</u></b>		
Restricted	409,175	391,424
Unrestricted	<u>476,598</u>	<u>663,027</u>
Total net cash assets	<u>\$ 885,773</u>	<u>\$ 1,054,451</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

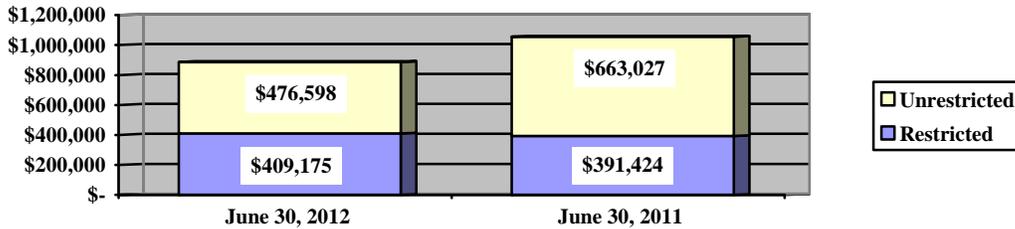
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Over time, net cash assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's total net cash assets were \$885,773.

A portion of the District's net cash assets, \$409,175 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash assets of \$476,598 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net cash assets at June 30, 2012 and June 30, 2011.

**Governmental Activities - Restricted and Unrestricted Net Cash Assets**



The table below shows the change in net cash assets for fiscal years 2012 and 2011:

	<b>Change in Net Cash Assets</b>	
	Governmental Activities 2012	Governmental Activities 2011
<b><u>Cash receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 886,081	\$ 865,893
Operating grants and contributions	490,948	666,813
General cash receipts:		
Property taxes	1,523,936	1,423,270
Income taxes	476,268	335,879
Grants and entitlements	2,244,648	2,369,343
Premium on bonds	-	269,202
Sale of refunding bonds	-	3,340,000
Investment earnings	197	1,291
Other	105,488	127,258
<b>Total cash receipts</b>	<b><u>5,727,566</u></b>	<b><u>9,398,949</u></b>

- Continued

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<b>Change in Net Cash Assets (Continued)</b>	
	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
<b><u>Cash disbursements</u></b>		
Current:		
Instruction:		
Regular	\$ 2,674,070	\$ 2,621,698
Special	432,105	392,662
Vocational	862	1,249
Support services:		
Pupil	196,979	320,409
Instructional staff	305,967	251,102
Board of education	12,218	12,142
Administration	379,114	391,954
Fiscal	311,353	306,728
Operations and maintenance	526,596	537,010
Pupil transportation	188,751	183,146
Central	350	-
Operation of non-instructional services:		
Food service operations	227,839	237,595
Extracurricular activities	212,816	171,151
Facilities acquisition and construction	19,421	38,683
Debt service:		
Principal retirement	259,359	168,000
Interest and fiscal charges	148,444	93,280
Bond issuance costs	-	73,356
Payment to refunded bond escrow agent	-	3,535,846
Total cash disbursements	<u>5,896,244</u>	<u>9,336,011</u>
Change in net cash assets	(168,678)	62,938
Net cash assets at beginning of year	<u>1,054,451</u>	<u>991,513</u>
Net cash assets at end of year	<u>\$ 885,773</u>	<u>\$ 1,054,451</u>

**Governmental Activities**

Net cash assets of the District's governmental activities decreased \$168,678. Total governmental cash disbursements of \$5,896,244 were offset by program cash receipts of \$1,377,029 and general cash receipts of \$4,350,537. Program cash receipts supported 23.35% of the total governmental cash disbursements.

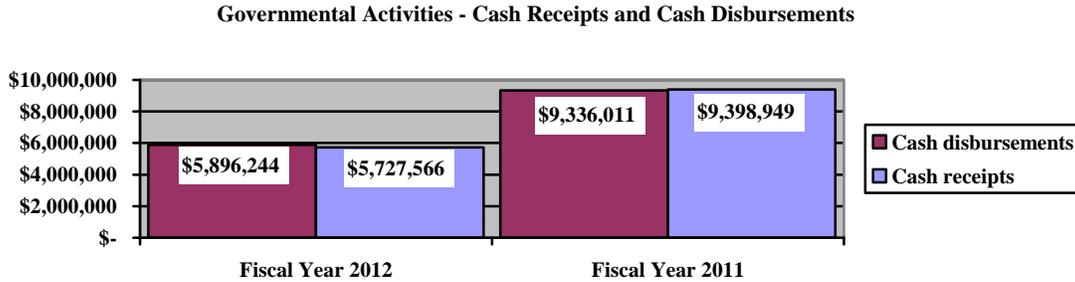
The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These cash receipts sources represent 74.11% of total governmental cash receipts. The decrease in operating grants and contributions is attributable to the phasing out of American Recovery and Reinvestment Act (ARRA) federal funding. The increase in income tax receipts is due to an improving local economy. The decrease in debt service activity is due to a bond refunding that took place in fiscal year 2011.

The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$3,107,037 or 52.70% of total governmental cash disbursements for fiscal year 2012.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2012 and 2011.



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2012 and 2011. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
<b>Program cash disbursements</b>				
Instruction:				
Regular	\$ 2,674,070	\$ 1,917,240	\$ 2,621,698	\$ 1,790,977
Special	432,105	211,741	392,662	138,371
Vocational	862	(687)	1,249	(300)
Support services:				
Pupil	196,979	164,042	320,409	200,556
Instructional staff	305,967	299,802	251,102	244,344
Board of education	12,218	12,218	12,142	12,142
Administration	379,114	379,114	391,954	391,954
Fiscal	311,353	311,353	306,728	301,728
Operations and maintenance	526,596	526,596	537,010	537,010
Pupil transportation	188,751	186,430	183,146	180,543
Central	350	350	-	-
Operation of non-instructional services:				
Food service operations	227,839	14,686	237,595	20,959
Extracurricular activities	212,816	69,106	171,151	75,856
Facilities acquisition and construction	19,421	19,421	38,683	38,683
Debt service:				
Principal retirement	259,359	259,359	168,000	168,000
Interest and fiscal charges	148,444	148,444	93,280	93,280
Bond issuance costs	-	-	73,356	73,356
Payment to refunded bond escrow agent	-	-	3,535,846	3,535,846
<b>Total cash disbursements</b>	<b>\$ 5,896,244</b>	<b>\$ 4,519,215</b>	<b>\$ 9,336,011</b>	<b>\$ 7,803,305</b>

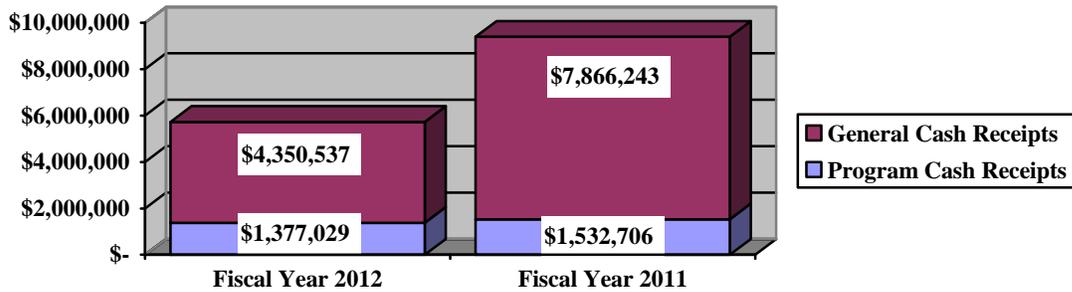
**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The dependence upon tax and other general cash receipts for governmental activities is apparent, 68.50% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 76.65%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2012 and 2011.

**Governmental Activities - General and Program Cash Receipts**



**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$885,773, which is \$168,678 less than last year's total fund cash balance of \$1,054,451. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011.

	Fund Cash Balance <u>June 30, 2012</u>	Fund Cash Balance <u>June 30, 2011</u>	<u>Decrease</u>	<u>Percentage Change</u>
General	\$ 637,703	\$ 755,270	\$ (117,567)	(15.57) %
Bond retirement	231,019	241,029	(10,010)	(4.15) %
Nonmajor governmental	<u>17,051</u>	<u>58,152</u>	<u>(41,101)</u>	(70.68) %
Total	<u>\$ 885,773</u>	<u>\$ 1,054,451</u>	<u>\$ (168,678)</u>	(16.00) %

**General Fund**

The District's general fund cash balance decreased \$117,567. The decrease in fund cash balance can be attributed to various items related to cash disbursements and other financing uses outpacing cash receipts during fiscal year 2012.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Cash receipts</u></b>				
Taxes	\$ 1,661,162	\$ 1,447,080	\$ 214,082	14.79 %
Tuition	589,913	608,391	(18,478)	(3.04) %
Earnings on investments	197	241	(44)	(18.26) %
Intergovernmental	2,240,006	2,364,964	(124,958)	(5.28) %
Other receipts	<u>151,492</u>	<u>176,313</u>	<u>(24,821)</u>	(14.08) %
<b>Total</b>	<b><u>\$ 4,642,770</u></b>	<b><u>\$ 4,596,989</u></b>	<b><u>\$ 45,781</u></b>	<b>1.00 %</b>
<b><u>Cash disbursements</u></b>				
Instruction	\$ 2,795,331	\$ 2,675,049	\$ 120,282	4.50 %
Support services	1,803,092	1,839,840	(36,748)	(2.00) %
Extracurricular activities	104,084	101,973	2,111	2.07 %
Facilities acquisition and construction	6,999	795	6,204	780.38 %
Debt service	<u>24,331</u>	<u>-</u>	<u>24,331</u>	100.00 %
<b>Total</b>	<b><u>\$ 4,733,837</u></b>	<b><u>\$ 4,617,657</u></b>	<b><u>\$ 116,180</u></b>	<b>2.52 %</b>

Overall cash receipts of the general fund increased \$45,781 or 1.00% during fiscal year 2012. The increase in taxes in the amount of \$214,082 or 14.79% is primarily due to an improving local economy that has resulted in increased income tax receipts from District residents. The decrease in intergovernmental receipts in the amount of \$124,958 or 5.28% is mainly due to a decrease in tangible personal property tax loss reimbursement receipts received from the State. All other changes in the cash receipt classifications are not significant in dollar amount.

Overall cash disbursements of the general fund increased \$116,180 or 2.52% during fiscal year 2012. Facilities acquisition and construction cash disbursements increased \$6,204 or 780.38% due to minor asset projects attributed to the general fund. Debt service cash disbursements were recorded in fiscal year 2012 due to a new copier lease entered into by the District that is being paid for out of the general fund.

***Bond Retirement Fund***

The bond retirement fund had \$380,414 in cash receipts and \$390,424 in cash disbursements. During fiscal year 2012, the bond retirement fund's fund cash balance decreased \$10,010 from \$241,029 to \$231,019.

***General Fund Budgeting Highlights***

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

For the general fund, original budgeted receipts and other financing sources of \$5,751,194 were \$2,150 less than final budgeted amounts of \$5,753,344. Actual receipts and other financing sources for fiscal year 2012 were \$4,629,185. This represents a \$1,124,159 decrease from final budgeted receipts and other financing sources.

General fund original appropriations (appropriated disbursements including other financing uses) of \$4,759,564 were \$40,000 less than final budgeted amounts of \$4,799,564. The actual budget basis disbursements and other financing uses for fiscal year 2012 totaled \$4,793,566, which was \$5,998 less than the final budgeted amounts.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**Capital Assets and Debt Administration**

*Capital Assets*

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$19,421 during fiscal year 2012.

*Debt Administration*

At June 30, 2012, the District had \$3,170,000 in current interest bonds, \$135,000 in capital appreciation bonds, \$368,171 in accreted interest and \$97,855 in capital lease obligations. Of this total, \$210,729 is due within one year and \$3,560,297 is due in more than one year. The following table summarizes the debt outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
Current interest bonds	\$ 3,170,000	\$ 3,410,000
Capital appreciation bonds	135,000	135,000
Accreted interest	368,171	274,031
Capital lease obligations	<u>97,855</u>	<u>-</u>
Total	<u>\$ 3,771,026</u>	<u>\$ 3,819,031</u>

At June 30, 2012, the District's overall legal debt margin was \$1,938,912 and an unvoted debt margin of \$55,699.

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

**Current Financial Related Activities**

The District faces a number of challenges in the future. As the preceding information shows, the District relies heavily on property taxes to fund operations, but has diversified through the passage of a 1.0% earned income tax. The earned income tax took effect on January 1, 2010 and the actual cash receipts in fiscal year 2012 exceeded the original annual estimate of \$430,000. This permitted the District to allow a 7.5 mill, five year limited property tax to roll off when this income tax receipt source came available. The District is now, essentially, at the 20 mill floor. A loss of State funding, particularly over \$200,000 in a two year period from the reduction by the State in tangible personal property tax, hold harmless payments, forced the District to try and pass another earned income tax levy of 0.5% for a five year period. The levy was put on the ballot and failed in August by three votes, but the District is considering going back on the ballot in either February or May of 2013.

The long term impact of the elimination of the personal property tax will have an adverse effect on the financial health of the District, should the District not experience significant residential growth. While in the short term the budget bill included provisions for replacement of lost personal property tax revenue, the replacement was only temporary and, as previously mentioned, have begun to be reduced. The amount of the replacement funds for the District is approximately 12.50 mills.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The District successfully updated its permanent improvement levy, passing a 1.0 mill replacement levy in May of 2010. The District must still carefully evaluate each program, staffing needs and significant disbursements it plans for in the near future. Headcount has been reduced by seven full time equivalents since 2004 (approximately 10%) and all employees took a two year freeze in wages in the two year contract ending in July of 2013. This followed a similar agreement in the previous one year contract.

Another equally challenging situation is the District's enrollment. The District's enrollment, which had seen declines in the early part of the decade stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 18-20 students. In fiscal years 2008 and 2009, the District lost a minimal amount of students. However, enrollment gains occurred in fiscal years 2010 and 2011, as successive classes of 60 and 50 students are well above the rounded average of 41 students per level. Enrollment was relatively flat in fiscal year 2012, with marginal, positive gains made in the number of students enrolling into the District versus out. These gains are, in large part, attributable to the District's effort in recent years to enhance the academic environment in order to reduce the number of students leaving through open enrollment.

A decrease in cash disbursements and lower than estimated cost of health insurance resulted in a slight, but positive cash flow in fiscal year 2010, but larger than expected cash disbursements for special academic programs, such as those at the Shelby County Educational Service Center, as well as impacted receipts from earned income tax collections still in their infancy, created a situation in fiscal year 2011 where disbursements outpaced receipts. In fiscal year 2012 this trend continued, especially due to the loss of hold harmless receipts. The Board of Education has remained active in managing cost, with a focus on salaries and benefits.

A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing developments in the area to help the school population. Due to this endeavor, a new housing development was started with six new houses having been constructed as of the June 30, 2008 report. This development slowed in fiscal year 2010, but all the houses currently have owners or tenants and another street has been added with additional houses now finished. The group is very early in its endeavor, so the long term results are yet to be seen.

Future revenue is a mixed forecast. The loss of receipts from tangible personal property tax and hold harmless monies make meeting short term budgets difficult. Some optimism may be warranted on a two to four year horizon as a wind turbine project takes shape within the District. Over 6,000 acres of land are under contract and the company, Mainstream, now calls this a project versus a study. An opposition group has materialized, but the project continues on with Mainstream recently establishing a business office in town. Potential revenue for the District is per Ohio SB 232 and, at least initially, could be significant. A similar project is in operation in Putnam County and will be studied to see what the actual financial impact is to the affected school district. Also, if the enrollment does not show growth in the future and as the abatements begin to expire, the increased property valuation will reduce the State basic aid by the 23 mill charge-off amount. The elimination of the personal property tax replacement funds will further push the funding burden onto the shoulders of the District's residents.

In conclusion, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative that the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the students' desired needs over the next several years.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Tony Meyer, Treasurer, Jackson Center Local School District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**CASH BASIS BASIC  
FINANCIAL STATEMENTS**

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . .	\$ 885,773
Total assets . . . . .	885,773
 <b>Net cash assets:</b>	
Restricted for:	
Capital projects. . . . .	88,030
Debt service . . . . .	231,019
State funded programs . . . . .	485
District managed student activities. . . . .	60,103
Other purposes . . . . .	29,538
Unrestricted. . . . .	476,598
Total net cash assets. . . . .	\$ 885,773

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Cash Disbursements	Program Cash Receipts		Changes in Net Cash Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 2,674,070	\$ 617,734	\$ 139,096	\$ (1,917,240)
Special . . . . .	432,105	4,732	215,632	(211,741)
Vocational . . . . .	862	-	1,549	687
Support services:				
Pupil. . . . .	196,979	-	32,937	(164,042)
Instructional staff . . . . .	305,967	-	6,165	(299,802)
Board of education . . . . .	12,218	-	-	(12,218)
Administration. . . . .	379,114	-	-	(379,114)
Fiscal. . . . .	311,353	-	-	(311,353)
Operations and maintenance . . . . .	526,596	-	-	(526,596)
Pupil transportation. . . . .	188,751	-	2,321	(186,430)
Central . . . . .	350	-	-	(350)
Operation of non-instructional services:				
Food service operations . . . . .	227,839	119,936	93,217	(14,686)
Extracurricular activities. . . . .	212,816	143,679	31	(69,106)
Facilities acquisition and construction. . . . .	19,421	-	-	(19,421)
Debt service:				
Principal retirement . . . . .	259,359	-	-	(259,359)
Interest and fiscal charges . . . . .	148,444	-	-	(148,444)
Totals . . . . .	<u>\$ 5,896,244</u>	<u>\$ 886,081</u>	<u>\$ 490,948</u>	<u>(4,519,215)</u>

**General Cash Receipts:**

Property taxes levied for:	
General purposes . . . . .	1,184,894
Debt service. . . . .	288,841
Capital projects . . . . .	50,201
Income taxes levied for:	
General purposes . . . . .	476,268
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	197
Miscellaneous . . . . .	105,488
Total general cash receipts . . . . .	<u>4,350,537</u>
Change in net assets . . . . .	(168,678)
<b>Net cash assets at beginning of year. . . . .</b>	<u>1,054,451</u>
<b>Net cash assets at end of year . . . . .</b>	<u>\$ 885,773</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 624,284	\$ 231,019	\$ 17,051	\$ 872,354
Restricted cash assets:				
Equity in pooled cash and cash equivalents. . . . .	13,419	-	-	13,419
Total cash assets . . . . .	<u>\$ 637,703</u>	<u>\$ 231,019</u>	<u>\$ 17,051</u>	<u>\$ 885,773</u>
<b>Fund cash balances:</b>				
Restricted:				
Debt service . . . . .	\$ -	\$ 231,019	\$ -	\$ 231,019
Capital improvements . . . . .	-	-	88,030	88,030
Food service operations . . . . .	-	-	16,119	16,119
Extracurricular . . . . .	-	-	60,103	60,103
School bus purchases. . . . .	13,419	-	-	13,419
Other purposes. . . . .	-	-	485	485
Committed:				
Other purposes. . . . .	-	-	5,547	5,547
Assigned:				
Student instruction . . . . .	14,247	-	-	14,247
Student and staff support. . . . .	36,737	-	-	36,737
Other purposes. . . . .	1,869	-	-	1,869
Unassigned (deficit). . . . .	571,431	-	(153,233)	418,198
Total fund cash balances . . . . .	<u>\$ 637,703</u>	<u>\$ 231,019</u>	<u>\$ 17,051</u>	<u>\$ 885,773</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,184,894	\$ 288,841	\$ 50,201	\$ 1,523,936
Income taxes . . . . .	476,268	-	-	476,268
Tuition . . . . .	589,913	-	-	589,913
Earnings on investments . . . . .	197	-	-	197
Charges for services . . . . .	-	-	119,254	119,254
Extracurricular . . . . .	17,080	-	126,599	143,679
Classroom materials and fees . . . . .	32,553	-	-	32,553
Contributions and donations . . . . .	30,394	-	31	30,425
Other local receipts . . . . .	71,465	-	4,311	75,776
Intergovernmental - state . . . . .	2,214,863	91,573	26,339	2,332,775
Intergovernmental - federal . . . . .	25,143	-	377,647	402,790
Total cash receipts . . . . .	<u>4,642,770</u>	<u>380,414</u>	<u>704,382</u>	<u>5,727,566</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,525,190	-	148,880	2,674,070
Special . . . . .	269,279	-	162,826	432,105
Vocational . . . . .	862	-	-	862
Support services:				
Pupil . . . . .	145,024	-	51,955	196,979
Instructional staff . . . . .	263,942	-	42,025	305,967
Board of education . . . . .	9,518	-	2,700	12,218
Administration . . . . .	379,114	-	-	379,114
Fiscal . . . . .	302,808	6,952	1,593	311,353
Operations and maintenance . . . . .	513,935	-	12,661	526,596
Pupil transportation . . . . .	188,751	-	-	188,751
Central . . . . .	-	-	350	350
Operation of non-instructional services:				
Food service operations . . . . .	-	-	227,839	227,839
Extracurricular activities . . . . .	104,084	-	108,732	212,816
Facilities acquisition and construction . . . . .	6,999	-	12,422	19,421
Debt service:				
Principal retirement . . . . .	19,359	240,000	-	259,359
Interest and fiscal charges . . . . .	4,972	143,472	-	148,444
Total cash disbursements . . . . .	<u>4,733,837</u>	<u>390,424</u>	<u>771,983</u>	<u>5,896,244</u>
Excess of cash disbursements over cash receipts . . . . .	<u>(91,067)</u>	<u>(10,010)</u>	<u>(67,601)</u>	<u>(168,678)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	26,500	26,500
Transfers (out) . . . . .	(26,500)	-	-	(26,500)
Total other financing sources (uses) . . . . .	<u>(26,500)</u>	<u>-</u>	<u>26,500</u>	<u>-</u>
Net change in fund cash balances . . . . .	(117,567)	(10,010)	(41,101)	(168,678)
<b>Fund cash balances at beginning of year . . . . .</b>	<u>755,270</u>	<u>241,029</u>	<u>58,152</u>	<u>1,054,451</u>
<b>Fund cash balances at end of year . . . . .</b>	<u>\$ 637,703</u>	<u>\$ 231,019</u>	<u>\$ 17,051</u>	<u>\$ 885,773</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Cash receipts:</b>				
From local sources:				
Property taxes . . . . .	\$ 1,472,086	\$ 1,472,635	\$ 1,184,894	\$ (287,741)
Income taxes . . . . .	591,705	591,926	476,268	(115,658)
Tuition . . . . .	732,894	733,168	589,913	(143,255)
Earnings on investments . . . . .	245	245	197	(48)
Classroom materials and fees . . . . .	40,443	40,458	32,553	(7,905)
Contributions and donations . . . . .	37,699	37,713	30,344	(7,369)
Other local receipts . . . . .	88,786	88,820	71,465	(17,355)
Intergovernmental - state . . . . .	2,751,695	2,752,724	2,214,863	(537,861)
Intergovernmental - federal . . . . .	31,237	31,249	25,143	(6,106)
Total cash receipts . . . . .	<u>5,746,790</u>	<u>5,748,938</u>	<u>4,625,640</u>	<u>(1,123,298)</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	2,546,565	2,567,967	2,564,757	3,210
Special . . . . .	267,692	269,941	269,604	337
Vocational . . . . .	935	943	942	1
Support services:				
Pupil . . . . .	144,467	145,681	145,499	182
Instructional staff . . . . .	262,070	264,272	263,942	330
Board of education . . . . .	9,494	9,574	9,562	12
Administration . . . . .	378,603	381,785	381,308	477
Fiscal . . . . .	303,353	305,902	305,520	382
Operations and maintenance . . . . .	532,533	537,008	536,337	671
Pupil transportation . . . . .	194,370	196,004	195,759	245
Extracurricular activities . . . . .	86,221	86,946	86,837	109
Facilities acquisition and construction . . . . .	6,949	7,008	6,999	9
Total cash disbursements . . . . .	<u>4,733,252</u>	<u>4,773,031</u>	<u>4,767,066</u>	<u>5,965</u>
Excess (deficiency) of cash receipts over (under) cash disbursements . . . . .	<u>1,013,538</u>	<u>975,907</u>	<u>(141,426)</u>	<u>(1,117,333)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's disbursements . . . . .	1,733	1,734	1,395	(339)
Transfers in . . . . .	2,671	2,672	2,150	(522)
Transfers (out) . . . . .	(26,312)	(26,533)	(26,500)	33
Total other financing sources (uses) . . . . .	<u>(21,908)</u>	<u>(22,127)</u>	<u>(22,955)</u>	<u>(828)</u>
Net change in fund cash balance . . . . .	991,630	953,780	(164,381)	(1,118,161)
<b>Fund cash balance at beginning of year . . . . .</b>	624,861	624,861	624,861	-
<b>Prior year encumbrances appropriated . . . . .</b>	124,370	124,370	124,370	-
<b>Fund cash balance at end of year . . . . .</b>	<u>\$ 1,740,861</u>	<u>\$ 1,703,011</u>	<u>\$ 584,850</u>	<u>\$ (1,118,161)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2012

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 26,216
Total assets. . . . .	\$ 26,216
 <b>Liabilities:</b>	
Due to students . . . . .	\$ 26,216
Total liabilities . . . . .	\$ 26,216

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The 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 staffed by 26 non-certificated employees, 43 certified full-time teaching personnel and three administrative employees to provide services to 591 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 (Auglaize) and Stokes (Logan) Townships.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Reporting Entity**

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*JOINTLY GOVERNED ORGANIZATIONS*

Western Ohio Computer Organization (WOCO)

WOCO is a jointly governed organization composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$35,779 to WOCO during fiscal year 2012. Financial information is available from Donn Walls, who serves as Administrator, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts 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. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association (SOITA)

The 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 institutions. 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 within 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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. To obtain financial information, write to the Southwestern Ohio Instruction Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Shelby County Local Professional Development Committee (Committee)

The District is a participant in the Committee which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County.

The Committee is governed by a twelve member Board made of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Shelby County Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

*INSURANCE PURCHASING POOLS*

Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The GRP was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to The Sheakley Group of Companies to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium (the "Consortium") is an insurance purchasing pool among several local school districts and the Shelby County Educational Service Center. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts together to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center.

The degree of control exercised by any participating school district is limited to its representation on the committee. Financial information can be obtained from Mike Elsass, who serves as consultant to the group, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Southwestern Ohio Educational Council Property, Fleet, and Liability Program - The District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL).

The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director at 1831 Harshman Road, Dayton, Ohio 45424.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

**C. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

*GOVERNMENTAL FUNDS*

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest and related costs.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

*FIDUCIARY FUNDS*

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

**D. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets – cash basis and a statement of activities – cash basis, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements* - The statement of net assets – cash basis and the statement of activities – cash basis display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

*Fund Financial Statements* - During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Although the legal level of budgetary control was established at the fund level of disbursements for the general fund, the District has elected to present its respective budgetary statement comparison at the fund and function level of disbursements.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered that entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**F. Cash and Investments**

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

As of June 30, 2012, the District did not report any investments.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest receipts credited to the general fund during fiscal year 2012 amounted to \$197, which includes \$60 assigned from other funds.

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

**G. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**I. Long-Term Obligations**

Bonds, capital leases and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**J. Fund Cash Balance**

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

*Restricted* - Fund cash balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund cash balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund cash balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund cash balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund cash balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund cash balance classifications could be used.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

**K. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The amount restricted for other purposes includes amounts restricted for vocational education enhancement. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. The District did not have any net cash assets restricted by enabling legislation at June 30, 2012.

**L. Inventory and Prepaid Items**

The District reports cash disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**M. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**N. Interfund Balances**

On fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the governmental activities column on the statement of net assets - cash basis. The District made no advances during fiscal year 2012.

**O. Interfund Activity**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside for school bus purchases. This restriction is required by State statute. A schedule of restricted assets is presented in Note 15.

**Q. Receipts and Disbursements**

In the statements of activities - cash basis, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and operating grants and contributions. All other governmental receipts, including bond proceeds and premiums when applicable, are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Deficit Fund Cash Balances**

Fund cash balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Building	\$ 10,000
Other Grants	16,356
Race to the Top	46,547
IDEA, Part B	10,568
Stimulus Title II D	641
Title I	49,996
Improving Teacher Quality	18,888
Miscellaneous Federal Grants	237

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**C. Compliance**

- i.* Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.
- ii.* The District had noncompliance with Ohio Revised Code Section 5705.41(D) due to untimely certification of expenditures.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in items (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At year end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

**B. Deposits with Financial Institutions**

At June 30, 2012, the carrying amount of all District deposits was \$911,839. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, the District's entire bank balance of \$981,836 was covered by the FDIC.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash to the Statement of Net Assets – Cash Basis**

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net assets - cash basis as of June 30, 2012:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 911,839
Cash on hand	<u>150</u>
Total	<u>\$ 911,989</u>
 <u>Cash per statement of net assets</u>	
Governmental activities	\$ 885,773
Agency fund	<u>26,216</u>
Total	<u>\$ 911,989</u>

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of receipts, disbursements and changes in fund balance - budget and actual (budget basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned or committed fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

**Net Change in Fund Cash Balance**

	<u>General fund</u>
Budget basis	\$ (164,381)
Funds budgeted elsewhere	(2,267)
Adjustment for encumbrances	<u>49,081</u>
Cash basis	<u>\$ (117,567)</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the special trust fund, adult education fund and the public school support fund.

**NOTE 6 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

Transfers to a nonmajor governmental fund from:	<u>Amount</u>
General fund	<u>\$ 26,500</u>

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities – cash basis.

**NOTE 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 collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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 Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 52,326,900	96.02	\$ 53,491,090	96.04
Public utility personal	<u>2,167,100</u>	<u>3.98</u>	<u>2,207,720</u>	<u>3.96</u>
Total	<u>\$ 54,494,000</u>	<u>100.00</u>	<u>\$ 55,698,810</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.70		\$ 45.70	

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of \$476,268 were credited to the general fund in fiscal year 2012.

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During fiscal year 2012, the following changes occurred in the District's long-term obligations:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	<u>June 30, 2011</u>	<u>Additions</u>		<u>Reductions</u>	<u>June 30, 2012</u>	
<b>Governmental activities:</b>						
School improvement bonds:						
Current interest bonds	\$ 165,000	\$ -	\$ (165,000)	\$ -	\$ -	
Capital appreciation bonds	40,000	-	-	40,000	16,207	
Accretion on capital bonds	270,672	70,172	-	340,844	137,368	
Series 2011 refunding bonds:						
Current interest bonds	3,245,000	-	(75,000)	3,170,000	35,000	
Capital appreciation bonds	95,000	-	-	95,000	-	
Accretion on capital bonds	3,359	23,968	-	27,327	-	
Capital lease obligations	<u>-</u>	<u>117,214</u>	<u>(19,359)</u>	<u>97,855</u>	<u>22,154</u>	
Total long-term obligations	<u>\$ 3,819,031</u>	<u>\$ 211,354</u>	<u>\$ (259,359)</u>	<u>\$ 3,771,026</u>	<u>\$ 210,729</u>	

Capital Lease Obligations - The capital lease obligations are paid from the general fund. See Note 10 for details.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

Jackson Center Local School Improvement Bonds (2001) - During 2001, the District issued \$4,779,997 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 bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,400,000, \$3,340,000 and \$40,000. The bonds are retired from the bond retirement fund, with a portion of the proceeds of a 5.5 mill voted property tax levy.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount of the capital appreciation bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2012 is \$340,844.

Series 2011 School Improvement Refunding Bonds - On April 6, 2011, the District issued series 2011 school improvement refunding bonds to refund the callable portion of the series 2001 general obligation bonds (principal \$3,340,000). Issuance proceeds totaling \$3,535,846 were deposited with an escrow agent. The balance of the refunded general obligation current interest bonds was retired during fiscal year 2012.

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount of \$3,245,000 and \$95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and will be retired through the bond retirement fund. The capital appreciation bonds mature on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The maturity amount of the capital appreciation bonds is \$450,000 with \$355,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2012 is \$27,327.

This refunding was undertaken to reduce the combined total debt service payments by \$116,214.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2012, are as follows:

Fiscal Year Ending June 30,	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 35,000	\$ 120,253	\$ 155,253	\$ 16,207	\$ 153,793	\$ 170,000
2014	35,000	119,552	154,552	13,140	156,860	170,000
2015	40,000	118,752	158,752	10,653	159,347	170,000
2016	210,000	115,677	325,677	-	-	-
2017	215,000	110,096	325,096	-	-	-
2018 - 2022	690,000	499,443	1,189,443	95,000	355,000	450,000
2023 - 2027	1,330,000	279,269	1,609,269	-	-	-
2028 - 2029	615,000	27,864	642,864	-	-	-
Total	<u>\$ 3,170,000</u>	<u>\$ 1,390,906</u>	<u>\$ 4,560,906</u>	<u>\$ 135,000</u>	<u>\$ 825,000</u>	<u>\$ 960,000</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$1,938,912 (including available funds of \$231,019) and an unvoted debt margin of \$55,699.

**NOTE 10 - CAPITAL LEASES**

During fiscal year 2012, the District entered into a capital lease for copier equipment. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service disbursements in the general fund. These disbursements are reported as function disbursements on the budgetary statements.

Principal and interest payments in fiscal year 2012 totaled \$19,359 and \$4,972, respectively, and were paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30,	Amount
2013	\$ 26,544
2014	26,544
2015	26,544
2016	26,543
2017	2,212
Total minimum lease payments	108,387
Less: amount representing interest	(10,532)
Total	\$ 97,855

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 11 - RISK MANAGEMENT**

**A. Property and Liability**

The 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 2012, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Selective Insurance Company	\$ 1,000,000	\$1,000
General Liability	Selective Insurance Company	1,000,000/3,000,000	-
Liability, fleet & property	Selective Insurance Company		
Each occurrence		1,000,000	-
Aggregate		3,000,000	-
Excess property:	Travelers Indemnity Company	350,000,000	-
School Board Legal Liability	The Insurance Co. of the State of PA	5,000,000/1,000,000	-
Excess Liability	Genesis Insurance Company	5,000,000	-

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium. The worker's 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 Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

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

For fiscal year 2012, the District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 2.A). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$82,179, \$79,928 and \$81,037, respectively; 64.86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "*Publications*".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - PENSION PLANS - (Continued)**

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$284,466, \$279,498 and \$287,705, respectively; 84.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$13,582, \$19,304 and \$11,826, respectively; 64.86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$4,853, \$5,144 and \$4,819, respectively; 64.86 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$21,882, \$21,500 and \$22,131, respectively; 84.62 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 14 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

The District is not party to legal proceedings that would have a material effect, if any, on the financial condition of the District.

**NOTE 15 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 15 - SET-ASIDES - (Continued)**

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	90,996
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying disbursements	-
Excess qualified disbursements from prior years	-
Current year offsets	(70,433)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>(20,563)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u>\$ -</u>

During fiscal year 2002, the District issued \$4,780,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$4,325,449 at June 30, 2012.

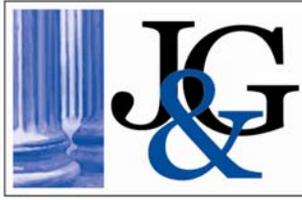
In addition to the above statutory set-aside, the District also has monies restricted for school bus purchases recorded in the general fund. A schedule of the restricted assets at June 30, 2012 follows:

Amount restricted for school bus purchases	<u>\$ 13,419</u>
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**NOTE 16 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund cash balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 49,151
Nonmajor governmental funds	<u>23,901</u>
Total	<u>\$ 73,052</u>



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Jackson Center Local School District's basic financial statements and have issued our report thereon dated December 6, 2012, wherein we noted the Jackson Center Local School District uses a comprehensive accounting basis not in accordance with accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson Center Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Jackson Center Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Jackson Center Local School District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Jackson Center Local School District's financial statements will not be prevented, or detected and timely corrected.

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

Board of Education  
Jackson Center Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Jackson Center Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed two instances of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-JCLSD-001 and 2012-JCLSD-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Jackson Center Local School District's management in a separate letter dated December 6, 2012.

The Jackson Center Local School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Jackson Center Local School District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and Board of Education of the Jackson Center Local School District and others within the Jackson Center Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.  
December 6, 2012

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2012**

<b>FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2012-JCLSD-001

**Noncompliance**

Ohio Revised Code Section 117.38 provides each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

*Client Response:* The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2012 and made the decision that the significant dollars saved, outweighed the benefit received.

Finding Number	2012-JCLSD-002
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 70.83% of examined disbursements that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection and or a "Then & Now" certification is approved on the purchase order.

*Client Response:* The District will attempt to timely certify all expenditures in the future.

**JACKSON CENTER LOCAL SCHOOL DISTRICT  
SHELBY COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2011- 01	Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepared its annual financial report in accordance with the cash basis of accounting.	No	Repeated as finding 2012-JCLSD-001



# Dave Yost • Auditor of State

**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  
FEBRUARY 19, 2013**