



Mary Taylor, CPA
Auditor of State

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Section 117-2-03(B) requires the 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General and Special Trust Funds, thereof, for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2009, on our consideration of the 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

April 23, 2009

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

The discussion and analysis of the Jackson City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities decreased \$1,147,401.
- General revenues accounted for \$20,961,925 in revenue or 77.58 percent of all revenues. Program specific revenues in the form of charges for services, grants, contributions, and interest accounted for \$6,059,153 or 22.42 percent of total revenues of \$27,021,078.
- The School District has four major funds, the General Fund, the Special Trust Special Revenue Fund, the Permanent Improvements Capital Projects Fund, and the Jones Trust Permanent Fund. The General Fund had \$19,367,113 in revenues and \$20,308,695 in expenditures. The General Fund's balance decreased \$909,993. The Special Trust Special Revenue Fund had \$310,800 in revenues and \$42,693 in expenditures. The Special Trust Special Revenue Fund's balance increased \$288,107. The Permanent Improvements Capital Projects Fund had \$770,586 in revenues and \$646,663 in expenditures. The Permanent Improvements Capital Project Fund's balance decreased \$861,579. The Jones Trust Permanent Fund had \$348,769 in revenues and \$319,961 in expenditures. The Jones Trust Permanent Fund's balance increased \$28,808.
- At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$13,414,459, a decrease of \$1,147,401 from the prior year.

USING THIS ANNUAL FINANCIAL REPORT

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

This discussion and analysis is intended to serve as an introduction to Jackson City School District's Cash Financial Statements. The School District's financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets – Cash Basis* presents information on all of School District's cash assets, presented as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the cash position of School District is improving or deteriorating.

The *Statement of Activities – Cash Basis* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Both of the government-wide financial statements identify functions of School District that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the School District include general operations, food service, preschool, vocational, and student related activities.

In the statement of net assets and the statement of activities, the School district is divided into two types of activities:

Governmental Activities – Most of the School District's basic services are reported here, including athletics and music. State and federal grants, state foundation receipts, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

Component Unit – The School District's financial statements include financial data of the Center for Student Achievement. This component unit is described in the notes to the financial statements. Component units are separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds Most of the School District's activities are reported in governmental funds. The government fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a total in a single column. The School District's major funds are the General Fund, the Special Trust Special Revenue Fund, the Permanent Improvements Capital Project Fund, and the Jones Trust Permanent Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District has a private purpose trust fund and an agency fund.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets – cash basis may serve over time as a useful indicator of a government's financial position. The School District has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Standard No. 34.

This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Table 1 provides a summary of the School District's net assets – cash basis for 2008 compared to 2007:

**Table 1
Net Assets - Modified Cash Basis**

	Governmental Activities	
	2008	2007
Assets		
Equity in Pooled Cash and Cash Equivalents	\$13,414,459	\$14,561,860
Total Assets	13,414,459	14,561,860
Net Assets		
Restricted for:		
Endowments:		
Expendable	\$3,600,903	\$2,417,981
Non-Expendable	100,000	100,000
Other Purposes	3,494,659	3,086,883
Capital Projects	3,970,184	5,837,775
Debt Service	288,947	164,973
Unrestricted	1,959,766	2,954,248
Total Net Assets	\$13,414,459	\$14,561,860

As noted previously, net assets of governmental activities decreased \$1,147,401, which represents a 7.88% decrease from 2007. The primary reason for this decrease was the reduction the School District experienced in investment earnings, from \$1,551,980 in fiscal year 2007, to \$829,994 in fiscal year 2008, due to the deteriorating investing climate. Additionally decreases of \$166,244 in property tax revenue, the result of increased delinquencies, and a decrease of \$99,155 in tuition and fees. Though intergovernmental revenue decreased a total of \$6,848,468, this is entirely attributable to the near completion of the School District's classroom facilities construction project and was accompanied by a decrease in capital outlay expenditures of \$6,985,507.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008, and comparisons to fiscal year 2007.

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

**Table 2
Changes in Net Assets**

	Governmental Activities		Change
	2008	2007	
Revenues			
Program Revenues:			
Charges for Services	\$1,462,521	\$1,366,938	\$95,583
Operating Grants, Contributions and Interest	4,271,040	3,950,217	320,823
Capital Grants, Contributions and Interest	325,592	8,162,738	(7,837,146)
	<u>6,059,153</u>	<u>13,479,893</u>	<u>(7,420,740)</u>
General Revenues:			
Property Taxes	6,592,731	6,758,975	(166,244)
Grants and Entitlements	13,581,531	13,752,395	(170,864)
Investment Earnings	159,748	289,966	(130,218)
Gifts and Donations	0	6,000	(6,000)
Miscellaneous	5,056	2,199	2,857
Proceeds of Loans	0	1,753,419	(1,753,419)
Proceeds from Sale of Capital Assets	622,859	170	622,689
	<u>20,961,925</u>	<u>22,563,124</u>	<u>(1,601,199)</u>
Total Revenues	<u>27,021,078</u>	<u>36,043,017</u>	<u>(9,021,939)</u>
Program Expenses			
Instruction:			
Regular	11,384,917	10,865,917	519,000
Special	3,231,182	2,874,849	356,333
Vocational	116,795	132,908	(16,113)
Support Services:			
Pupils	559,253	578,114	(18,861)
Instructional Staff	891,531	720,750	170,781
Board of Education	129,023	213,399	(84,376)
Administration	1,976,798	1,715,144	261,654
Fiscal	690,169	752,392	(62,223)
Business	31,320	77,510	(46,190)
Operation and Maintenance of Plant	2,822,561	2,732,045	90,516
Pupil Transportation	1,637,129	1,143,961	493,168
Central	1,596	36,196	(34,600)
Operation of Non-Instructional Services:			
Food Service Operations	1,210,096	1,118,424	91,672
Community Services	15,676	9,624	6,052
Extracurricular Activities	691,689	740,921	(49,232)
Capital Outlay	726,970	7,712,477	(6,985,507)
Debt Service:			
Principal Retirement	1,375,684	1,275,684	100,000
Interest and Fiscal Charges	676,090	713,556	(37,466)
Total Expenses	<u>28,168,479</u>	<u>33,413,871</u>	<u>(5,245,392)</u>
Increase (Decrease) in Net Assets	(1,147,401)	2,629,146	(3,776,547)
Net Assets at Beginning of Year	<u>14,561,860</u>	<u>11,932,714</u>	<u>2,629,146</u>
Net Assets at End of Year	<u>\$13,414,459</u>	<u>\$14,561,860</u>	<u>(\$1,147,401)</u>

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

Governmental Activities

Program receipts, charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program, accounted for 22.42 percent of total receipts for governmental activities in fiscal year 2008, therefore, the programs offered by the School District are primarily financed through general receipts. General revenues are primarily composed of property taxes, grants and entitlements not restricted for a particular program.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase, or even decreases in tax revenue. Property taxes made up 24.40 percent of revenues for governmental activities for the School District in 2008.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 96.24 percent of total general revenue. Grants and entitlements, alone, represent 64.79 percent of general revenues. Interest income, miscellaneous revenues, and proceeds from the sale of capital assets account for the remaining 3.76 percent.

Though net assets of the School District experienced a decrease in fiscal year 2008, the continuing economic pressures placed upon the School District due to ever changing academic requirements will remain and should not be underestimated. Instructional services of \$14,732,984, and support services of \$8,739,380, accounted for 83.33 percent of total disbursements. The remaining 16.67 percent of program disbursements are for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, capital outlay, and debt service.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Table 3
Governmental Activities

	2008 Total Cost of Services	2008 Net Cost of Services	2007 Total Cost of Services	2007 Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$11,384,917	\$10,189,732	\$10,865,917	\$9,094,304
Special	3,231,182	800,623	2,874,849	765,428
Vocational	116,795	115,217	132,908	128,307
Support Services:				
Pupil	559,253	540,914	578,114	555,620
Instructional Staff	891,531	761,106	720,750	711,553
Board of Education	129,023	128,760	213,399	213,399
Administration	1,976,798	1,941,947	1,715,144	1,669,922
Fiscal	690,169	514,065	752,392	722,132
Business	31,320	31,320	77,510	77,510
Operation and Maintenance of Plant	2,822,561	2,736,923	2,732,045	2,621,442
Pupil Transportation	1,637,129	1,422,801	1,143,961	1,112,275
Central	1,596	1,596	36,196	36,196
Operation of Non-Instructional Services:				
Food Service Operations	1,210,096	(15,799)	1,118,424	12,910
Community Services	15,676	(60,123)	9,624	(1,194)
Extracurricular Activities	691,689	246,158	740,921	(38,399)
Capital Outlay	726,970	702,312	7,712,477	263,333
Debt Service:				
Principal Payment	1,375,684	1,375,684	1,275,684	1,275,684
Interest and Fiscal Charges	676,090	676,090	713,556	713,556
Totals	<u>\$28,168,479</u>	<u>\$22,109,326</u>	<u>\$33,413,871</u>	<u>\$19,933,978</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2008, 75.38 percent of all instructional activities are supported through taxes and other general revenues.

THE SCHOOL DISTRICT FUNDS

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$26,398,219 and disbursements of \$28,168,479.

General Fund and Major Special Revenue Fund Budgeting Highlights

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

During the course of fiscal 2008, the School District amended its General Fund and Special Trust Fund budgets, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Jackson City School District, Ohio

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

For the General Fund, budget basis revenues were \$19,367,113, above final estimates of \$19,360,729. Final estimated revenues were above original estimated revenues of \$19,279,589. Expenditures of \$20,505,021 equal to final appropriations. Final estimated expenditures was above original estimated expenditures of \$20,214,336. The School District's ending unobligated General Fund balance was \$1,763,440.

For the Special Trust Special Revenue Fund, final budget basis revenues were \$310,800, above final estimates of \$309,830. Final estimated revenues were below original estimated revenue of \$424,002. Both differences were due to overly optimistic revenue assessments from extracurricular sources (brick sales). Final budget basis expenditures of \$62,692 were the same as the final appropriations. The School District's ending unobligated Special Trust Special Revenue Fund balance was \$1,891,979.

DEBT ADMINISTRATION

At June 30, 2008, the School District had Classroom Facilities Assistance Bonds outstanding of \$12,884,063, a Classroom Facility Tax Anticipation Note in the amount of \$1,575,000, a Lease-Purchase Agreement for the School District's Alumni Stadium in the amount of \$1,920,000, and a Ohio School Facilities Commission Loan in the amount of \$1,052,051.

Table 5
Outstanding Debt, at Fiscal Year End

	Governmental Activities	
	2008	2007
2001 Classroom Facilities Assistance Bonds:		
Serial	\$1,505,000	\$1,820,000
Capital Appreciation	174,058	174,058
Accretion on Capital Appreciation	478,602	366,309
2005 Classroom Facilities Refunding Bonds:		
Serial	7,500,000	7,555,000
Term	2,475,000	2,475,000
Capital Appreciation	415,000	415,000
Accretion on Capital Appreciation	182,071	107,604
Bond Amortization of Premium	908,269	953,683
Deferred Amount on Refunding	(753,937)	(791,634)
2001 Classroom Facilities Tax Anticipation Note	1,575,000	1,910,000
2004 Alumni Stadium Lease - Purchase	1,920,000	2,240,000
2007 OSFC Hardship Loan	1,052,051	1,402,735
Totals	<u>\$17,431,114</u>	<u>\$18,627,755</u>

For additional information on debt, see Note 15 to the basic financial statements.

Jackson City School District, Ohio

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited*

CURRENT ISSUES

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes. Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional revenues from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (nearly 64 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment and a district's property tax wealth. The School District has seen a slight decline in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, recent property tax revaluations has reduced the School District's funding from the State Foundation charge off supplement and has served to somewhat offset the other increases in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher insurance costs, increased personal service costs, and higher fuel costs).

As the preceding information shows, the School District depends upon its taxpayers. Although the School District has continued to keep spending in line with revenues, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brenda Hill, Treasurer at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

Jackson City School District, Ohio
*Statement of Net Assets - Cash Basis, Primary Government and
Center for Student Achievement*
June 30, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
	Governmental Activities	Center for Student Achievement
Assets		
Equity in Pooled Cash and Cash Equivalents	\$13,414,459	\$354,193
<i>Total Assets</i>	<u>\$13,414,459</u>	<u>\$354,193</u>
Net Assets		
Restricted for:		
Endowments		
Expendable	\$3,600,903	\$0
Non-Expendable	100,000	0
Other Purposes	3,494,659	0
Capital Projects	3,970,184	0
Debt Service	288,947	0
Unrestricted	<u>1,959,766</u>	<u>354,193</u>
<i>Total Net Assets</i>	<u>\$13,414,459</u>	<u>\$354,193</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June, 30, 2008

	Expenses	Program Revenues			Net (Expense)	Component Unit
		Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets	
				Governmental Activities	Center for Student Achievement	
Governmental Activities:						
Instruction:						
Regular	\$11,384,917	\$615,224	\$523,645	\$56,316	(\$10,189,732)	\$0
Special	3,231,182	31,972	2,398,587	0	(800,623)	0
Vocational	116,795	0	1,578	0	(115,217)	0
Support Services:						
Pupils	559,253	0	18,339	0	(540,914)	0
Instructional Staff	891,531	32,441	96,820	1,164	(761,106)	0
Board of Education	129,023	0	0	263	(128,760)	0
Administration	1,976,798	0	34,851	0	(1,941,947)	0
Fiscal	690,169	0	162,558	13,546	(514,065)	0
Business	31,320	0	0	0	(31,320)	0
Operation and Maintenance of Plant	2,822,561	745	68,124	16,769	(2,736,923)	0
Pupil Transportation	1,637,129	0	2,329	211,999	(1,422,801)	0
Central	1,596	0	0	0	(1,596)	0
Operation of Non-Instructional Services:						
Food Service Operations	1,210,096	509,856	716,039	0	15,799	0
Community Services	15,676	46,372	29,427	0	60,123	0
Extracurricular Activities	691,689	225,911	218,743	877	(246,158)	0
Capital Outlay	726,970	0	0	24,658	(702,312)	0
Debt Service:						
Principal Payment	1,375,684	0	0	0	(1,375,684)	0
Interest and Fiscal Charges	676,090	0	0	0	(676,090)	0
Total Governmental Activities	28,168,479	1,462,521	4,271,040	325,592	(22,109,326)	0
Component Unit:						
Center for Student Achievement	\$370,226	\$0	\$555,771	\$0	0	185,545
General Revenues:						
Property Taxes Levied for:						
General Purposes					4,853,167	0
Debt Service					1,132,849	0
Capital Improvements					485,521	0
Other Purposes					121,194	0
Grants and Entitlements not Restricted to Specific Programs					13,581,531	0
Investment Earnings					159,748	0
Miscellaneous					5,056	0
Proceeds from Sale of Capital Assets					622,859	0
Total General Revenues					20,961,925	0
Change in Net Assets					(1,147,401)	185,545
Net Assets at Beginning of Year					14,561,860	168,648
Net Assets at End of Year					\$13,414,459	\$354,193

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2008

	General	Special Trust	Permanent Improvements	Jones Trust	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	<u>\$1,959,766</u>	<u>\$1,911,979</u>	<u>\$2,913,484</u>	<u>\$2,691,358</u>	<u>\$3,937,872</u>	<u>\$13,414,459</u>
Fund Balances						
Reserved for Encumbrances	\$196,326	\$20,000	\$120,928	\$0	\$658,631	\$995,885
Unreserved, Undesignated, Reported in:						
General Fund	1,763,440	0	0	0	0	1,763,440
Special Revenue Funds	0	1,891,979	0	0	1,557,180	3,449,159
Debt Service Fund	0	0	0	0	288,947	288,947
Capital Projects Funds	0	0	2,792,556	0	423,569	3,216,125
Permanent Funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,691,358</u>	<u>1,009,545</u>	<u>3,700,903</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$1,959,766</u>	<u>\$1,911,979</u>	<u>\$2,913,484</u>	<u>\$2,691,358</u>	<u>\$3,937,872</u>	<u>\$13,414,459</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements and
 Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2008*

	General	Special Trust	Permanent Improvements	Jones Trust	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$4,853,167	\$0	\$485,521	\$0	\$1,254,043	\$6,592,731
Intergovernmental	13,838,598	0	110,223	0	3,286,295	17,235,116
Investment Earnings	159,747	69,166	174,842	348,769	77,470	829,994
Tuition and Fees	474,503	0	0	0	37,271	511,774
Rent	745	6,417	0	0	0	7,162
Charges for Services	0	0	0	0	509,225	509,225
Donations	0	41,838	0	0	212,601	254,439
Extracurricular	4,434	193,379	0	0	222,106	419,919
Miscellaneous	35,919	0	0	0	1,940	37,859
Total Revenues	19,367,113	310,800	770,586	348,769	5,600,951	26,398,219
Expenditures						
Current:						
Instruction:						
Regular	9,975,866	26,368	127,751	174,285	1,080,647	11,384,917
Special	1,836,112	0	0	113,167	1,281,903	3,231,182
Vocational	116,795	0	0	0	0	116,795
Support Services:						
Pupils	540,372	0	0	0	18,881	559,253
Instructional Staff	804,422	6,932	2,642	32,509	45,026	891,531
Board of Education	128,428	0	595	0	0	129,023
Administration	1,954,306	0	0	0	22,492	1,976,798
Fiscal	612,275	0	30,727	0	47,167	690,169
Business	26,848	0	0	0	4,472	31,320
Operation and Maintenance of Plant	2,699,383	0	38,041	0	85,137	2,822,561
Pupil Transportation	1,195,472	0	441,657	0	0	1,637,129
Central	1,596	0	0	0	0	1,596
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	1,210,096	1,210,096
Community Services	150	9,393	0	0	6,133	15,676
Extracurricular Activities	416,670	0	1,990	0	273,029	691,689
Capital Outlay	0	0	3,260	0	723,710	726,970
Debt Service:						
Principal Retirement	0	0	0	0	1,375,684	1,375,684
Interest and Fiscal Charges	0	0	0	0	676,090	676,090
Total Expenditures	20,308,695	42,693	646,663	319,961	6,850,467	28,168,479
Excess of Revenues Over (Under) Expenditures	(941,582)	268,107	123,923	28,808	(1,249,516)	(1,770,260)
Other Financing Sources (Uses)						
Proceeds of Sale from Capital Asset	30,709	0	592,150	0	0	622,859
Transfers In	0	0	0	0	1,629,152	1,629,152
Advances In	351,825	20,000	0	0	280,319	652,144
Transfers Out	(51,500)	0	(1,577,652)	0	0	(1,629,152)
Advances Out	(299,445)	0	0	0	(352,699)	(652,144)
Total Other Financing Sources (Uses)	31,589	20,000	(985,502)	0	1,556,772	622,859
Net Change in Fund Balance	(909,993)	288,107	(861,579)	28,808	307,256	(1,147,401)
Fund Balances at Beginning of Year - Restated (See Note 3)	2,869,759	1,623,872	3,775,063	2,662,550	3,630,616	14,561,860
Fund Balances at End of Year	\$1,959,766	\$1,911,979	\$2,913,484	\$2,691,358	\$3,937,872	\$13,414,459

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements, and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	\$4,747,670	\$4,853,167	\$4,853,167	\$0
Intergovernmental	13,642,447	13,838,598	13,838,598	0
Investment Earnings	292,759	151,017	159,747	8,730
Tuition and Fees	585,198	474,503	474,503	0
Rent	713	745	745	0
Extracurricular	3,644	4,434	4,434	0
Miscellaneous	7,155	38,265	35,919	(2,346)
<i>Total Revenues</i>	<u>19,279,586</u>	<u>19,360,729</u>	<u>19,367,113</u>	<u>6,384</u>
Expenditures				
Current:				
Instruction:				
Regular	9,858,039	10,005,450	10,005,450	0
Special	1,753,940	1,851,133	1,851,133	0
Vocational	119,470	116,795	116,795	0
Support Services:				
Pupils	544,591	540,372	540,372	0
Instructional Staff	792,481	806,790	806,790	0
Board of Education	152,296	134,758	134,758	0
Administration	1,865,820	1,956,881	1,956,881	0
Fiscal	663,486	616,123	616,123	0
Business	35,230	26,848	26,848	0
Operation and Maintenance of Plant	2,660,571	2,756,282	2,756,282	0
Pupil Transportation	1,175,174	1,205,590	1,205,590	0
Central	181,958	71,179	71,179	0
Operation of Non-Instructional Services:				
Community Services	111	150	150	0
Extracurricular Activities	411,169	416,670	416,670	0
<i>Total Expenditures</i>	<u>20,214,336</u>	<u>20,505,021</u>	<u>20,505,021</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(934,750)</u>	<u>(1,144,292)</u>	<u>(1,137,908)</u>	<u>6,384</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	467	30,709	30,709	0
Transfers In	43,646	894,751	0	(894,751)
Advances In	787,336	351,825	351,825	0
Transfers Out	(296,213)	(86,500)	(51,500)	35,000
Advances Out	(307,824)	(299,445)	(299,445)	0
<i>Total Other Financing Sources (Uses)</i>	<u>227,412</u>	<u>891,340</u>	<u>31,589</u>	<u>(859,751)</u>
<i>Net Change in Fund Balance</i>	<u>(707,338)</u>	<u>(252,952)</u>	<u>(1,106,319)</u>	<u>(853,367)</u>
<i>Fund Balance at Beginning of Year</i>	2,698,752	2,698,752	2,698,752	0
Prior Year Encumbrances Appropriated	<u>171,007</u>	<u>171,007</u>	<u>171,007</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,162,421</u>	<u>\$2,616,807</u>	<u>\$1,763,440</u>	<u>(\$853,367)</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
*Statement of Cash Receipts, Cash Disbursements, and Changes
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)
Special Trust
For the Fiscal Year Ended June 30, 2008*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$84,213	\$65,398	\$69,166	\$3,768
Rent	7,568	6,417	6,417	0
Extracurricular	305,464	196,179	193,379	(2,800)
Gifts and Donations	22,292	37,682	41,838	4,156
Miscellaneous	4,465	4,154	0	(4,154)
<i>Total Revenues</i>	<u>424,002</u>	<u>309,830</u>	<u>310,800</u>	<u>970</u>
Expenditures				
Current:				
Instruction:				
Regular	3,461	46,367	46,367	0
Support Services:				
Administration	6,932	6,932	6,932	0
Operation of Non-Instructional Services:				
Community Services	1,490	9,393	9,393	0
<i>Total Expenditures</i>	<u>11,883</u>	<u>62,692</u>	<u>62,692</u>	<u>0</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>412,119</u>	<u>247,138</u>	<u>248,108</u>	<u>970</u>
Other Financing Sources				
Advances In	0	20,000	20,000	0
<i>Net Change in Fund Balance</i>	412,119	267,138	268,108	970
<i>Fund Balance at Beginning of Year</i>	<u>1,623,871</u>	<u>1,623,871</u>	<u>1,623,871</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,035,990</u></u>	<u><u>\$1,891,009</u></u>	<u><u>\$1,891,979</u></u>	<u><u>\$970</u></u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2008

	Private-Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$1,270,838</u>	<u>\$83,791</u>
Net Assets		
Endowments	\$876,440	\$0
Held in Trust for Scholarships	394,398	0
Restricted for Students	<u>0</u>	<u>83,791</u>
	<u>\$1,270,838</u>	<u>\$83,791</u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio
Statement of Changes in Fiduciary Net Assets -
Cash Basis
Private-Purpose Trust Funds
June 30, 2008

Additions	
Investment Earnings	\$48,505
Gifts and Donations	70,287
Miscellaneous	<u>50</u>
<i>Total Additions</i>	118,842
Deductions	
Scholarships	<u>42,583</u>
<i>Change in Net Assets</i>	76,259
<i>Net Assets Beginning of Year</i>	<u>1,194,579</u>
Net Assets End of Year	<u><u>\$1,270,838</u></u>

See accompanying notes to the basic financial statements

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 1 - Description of the School District and Reporting Entity

Jackson City School District (the School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 110 classified employees and 193 certified teaching and administrative personnel who provide services to 2,563 students and other community members.

Reporting Entity

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

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

The component unit column on the statement of net assets – cash basis and the statement of activities – cash basis identifies the financial data of the School District's component unit, the Center for Student Achievement (the Center). It is reported separately to emphasize that it is legally separate from the School District.

The Center is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Center is governed by a five member Board of Directors appointed by the Superintendent of the Jackson City School District. The School District is able to impose its will on the Center.

The School District participates in the Metropolitan Education Council, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition and Rural and Appalachian Schools which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Program, which is defined as an insurance purchasing pool. These organizations are presented in Notes 12 and 13.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General 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 School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net assets – cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the School 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 general receipts of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School 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 School 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 type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. 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.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

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

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

Special Trust Special Revenue Fund The Special Trust Special Revenue Fund is used to account for the proceeds of gifts and donations used for student scholarships.

Permanent Improvements Capital Project Fund The Permanent Improvement Capital Projects Fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities.

Jones Trust Permanent Fund The Jones Trust Permanent Fund is used to account for the proceeds of a gift bestowed upon the School District from Robert F. Jones. The endowment is maintained by and on deposit at National City Bank, which makes all investment decisions on behalf of the School District. Only the interest earned by the endowment can be used by the School District for educational related activities of the School District.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service; the School District has no proprietary funds.

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

During 2008, investments were limited to STAROhio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2008.

The School District has segregated investment accounts for trust monies held separate from the School District's central bank account and is not presented in the accompanying financial statements.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund, the Food Service and Classroom Maintenance Special Revenue Funds, the Bond Retirement Debt Service Fund, the Permanent Improvements and Classroom Facilities Capital Projects Funds, and the Jones Trust, Lloyd Trust, and Columbus Foundation Permanent Funds. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$159,747, which includes \$137,379 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented as cash and cash equivalents.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

F. Inventory and Prepaid Items

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

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursements for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets – cash basis reports \$11,454,693 of restricted net assets, none of which is restricted by enabling legislation.

M. Fund Balance Reserves

The School District reserves those portions of fund balance which are not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and nonoperating receipts/cash disbursements in fiduciary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 3 - Restatement of Fund Balance

During the 2007 fiscal year, the School District transferred \$859,751 from the General Fund to the Bond Retirement Debt Service Fund for debt service payments, this transfer should have come from the Permanent Improvements Capital Project Fund. This adjustment had the following effect on fund balance as previously reported on June 30, 2007:

	General Fund	Permanent Improvements
Fund Balance as Previously Reported	\$2,010,008	\$4,634,814
Debt Service Transfer	859,751	(859,751)
Adjusted Fund Balance at June 30, 2007	<u>\$2,869,759</u>	<u>\$3,775,063</u>

Note 4 – Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School 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 School District can be fined and various other administrative remedies may be taken against the School District.

Note 5 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the 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 and each major special revenue fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances. These are treated as expenditures (budgetary basis) rather than as a reservation of fund balance (cash basis) (an outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$196,326
Special Trust Special Revenue Fund	\$20,000

Note 6 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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 division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$5,690,241 of the School District's bank balance of \$5,855,563 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments As of June 30, 2008, the School District's investment in STAROhio had an average maturity of fifty-four days and a fair value of \$9,384,891.

Jackson City School District, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Interest Rate Risk The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Rate Risk STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR-Ohio maintain the highest rating provided by at least one nationally recognized standard setting service. The School District has no investment policy that would further limit its investment choices.

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

	2007 Second Half Collections		2008 First Half Collections	
Real Property	\$231,333,880	86.01%	\$232,713,950	88.81%
Public Utility Tangible Personal Property	24,388,536	9.07%	11,993,330	4.58%
Tangible Personal Property	13,230,900	4.92%	17,333,935	6.61%
Total	\$268,953,316	100.00%	\$262,041,215	100.00%
 Tax Rate per \$1,000 of Assessed Valuation	\$30.57		\$30.57	

Note 8 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2008, the School District contracted with the Indiana Insurance Company for the following coverage:

The types and amounts of coverage provided by the Indiana Insurance Company are as follows:

Property	Deductible	Limits of Coverage
Building and Contents - Replacement Cost	\$1,000	\$94,834,601
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Personal and Advertising Injury Limit - Each Offense	0	1,000,000
Fire Damage Limit - Any One Event	0	300,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Employee Benefits Liability:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Hazardous Substances	0	25,000
CFC Refrigeration	0	100,000
Vehicles:		
Bodily Injury:		
Per Person	0	1,000,000
Per Accident	0	1,000,000
Property Damage	0	1,000,000
Uninsured Motorist:		
Per Person	0	1,000,000
Per Accident	0	1,000,000

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2007.

B. Workers' Compensation

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 9 – Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$332,620, \$340,936, and \$306,429, respectively; 50.92 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School 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 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

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 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.

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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$1,445,145, \$1,371,653, and \$1,320,119, respectively; 84.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$4,714 made by the School District and \$16,012 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Note 10 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and obligations to contribute are established by the System based on authority granted by State statute. The financial report of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006, were \$204,706, \$185,812, and \$170,235, respectively; 39.8 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, were \$21,990, \$20,365, and \$22,580, respectively; 46.51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost-sharing, multiple employer defined benefit Health 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 or by calling (888)227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$111,165, \$105,512, and \$101,548, respectively; 84.53 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 11 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers and administrators are limited to a total accumulation of 339 days, classified employees are limited to a total accumulation of 250 days. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 62.5 days for classified employees.

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$50,000.

Health, vision, and dental insurance is provided by United Healthcare. Monthly premiums for this coverage are \$938.53 for family plans and \$341.28 for single plans for teachers and administrators and \$923.84 for family plans and \$335.94 for single plans for classified employees. The School District pays 100 percent for both family and single coverage premiums.

Note 12 - Jointly Governed Organizations

A. Metropolitan Education Council

The Metropolitan Education Council (MEC) was created as a regional council of governments pursuant to State statutes. MEC is a computer consortium formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. MEC has 170 participants consisting of school districts, libraries, and related organizations. MEC is governed by a board consisting of one representative of each school district in Franklin County and one representative from each county other than Franklin which has MEC members. MEC possesses its own budgeting and taxing authority. The School District paid MEC \$74,566 for services provided during the fiscal year. To obtain financial information write to the Metropolitan Education Council, Susan K. Ward, Fiscal Officer, at 2100 City Gate Drive, Columbus, Ohio 43219.

B. Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donnaly Smith who serves as Treasurer, P.O. Box 157, Rio Grande, Ohio, 45674.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

C. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. The School District's membership fee was \$300 for fiscal year 2008.

Note 13 - Insurance Purchasing Pool

Ohio School Board Workers' Compensation Group Rating Program

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

Note 14 - Interfund Activity and Balances

A. Transfers

Transfer from	Other Nonmajor Governmental
General	\$51,500
Permanent Improvements	<u>1,577,652</u>
Total All Funds	<u><u>\$1,629,152</u></u>

The transfers were used to move revenues from the fund that statute or budget requires collect them to the fund that statute or budget requires to spend them; to use revenue collected in the Permanent Improvements Capital Projects Fund to Bond Retirement Debt Service Fund to be used for debt service payments, and to the Classroom Facilities Capital Projects Fund to be used for the construction and renovation of the School District's facilities.

B. Interfund Balances

Interfund receivables and payables at June 30, 2008, consist of the following individual balances, representing monies advanced to funds to be repaid when grant funds or other program revenues are received:

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

	Interfund Receivables	Interfund Payables
General Fund	<u>\$299,445</u>	<u>\$0</u>
Major Fund:		
Special Trust	0	20,000
Other Governmental Funds:		
Bond Retirement	0	275,990
Title I	0	1,611
Title V	0	488
Drug Free Schools	0	1,324
Miscellaneous Federal Grants	0	32
Total All Funds	<u><u>\$299,445</u></u>	<u><u>\$299,445</u></u>

Note 15 - Long Term Obligations

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due in One Year
Governmental Activities:					
2007 0% Ohio School Facilities					
Hardship Loan	\$1,402,735	\$0	\$350,684	\$1,052,051	\$350,684
2001 3.25-5.50% Classroom					
Facilities General Obligation					
Bonds					
Serial Bonds	1,820,000	0	315,000	1,505,000	330,000
Capital Appreciation	174,058	0	0	174,058	0
Accretion on Capital					
Appreciation Bonds	366,309	112,293	0	478,602	0
2005 3.25-4.75% Classroom					
Facilities Refunding Bonds					
Serial Bonds	7,555,000	0	55,000	7,500,000	110,000
Term Bonds	2,475,000	0	0	2,475,000	0
Capital Appreciation	415,000	0	0	415,000	0
Accretian on Capital					
Appreciation Bonds	107,604	74,467	0	182,071	0
Deferred Amount on Refunding	(791,634)	0	(37,697)	(753,937)	0
Serial Bond Premium	953,683	0	45,414	908,269	0
2001 4.20 to 4.75% Classroom					
Facilities Tax Anticipation Notes	1,910,000	0	335,000	1,575,000	355,000
2004 3.25% Alumni Stadium					
Lease-Purchase Agreement	2,240,000	0	320,000	1,920,000	320,000
Total Governmental Activities					
Long-Term Liabilities	<u><u>\$18,627,755</u></u>	<u><u>\$186,760</u></u>	<u><u>\$1,383,401</u></u>	<u><u>\$17,431,114</u></u>	<u><u>\$1,465,684</u></u>

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

2007 Ohio Schools Facilities Commission Hardship Loan On February 23, 2007, the School District issued a no interest, \$1,753,419 loan for the constructing, renovating and adding to buildings; furnishing and equipping such buildings; and improving School District sites. The loan is backed by the full faith and credit of the School District.

Principal and interest requirements to retire the Ohio School Facilities Commission Hardship Loan outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal
2009	\$350,684
2010	350,684
2011	350,683
	<u>\$1,052,051</u>

2001 Classroom Facilities General Obligation Bonds On May 20, 2001, the School District issued \$13,384,058 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$6,510,000, \$6,700,000, and \$174,058, respectively. During fiscal year 2005, the District advance refunded \$10,445,000 of the serial and term bonds. The remaining outstanding bonds are being retired from the Debt Service Fund. As a requirement of the loans, the School District was required to pass a 5.8 mill levy. 5.3 mills will be used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills is used for facilities maintenance.

Principal and interest requirements to retire the Classroom Facilities General Obligation Bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2009	\$330,000	\$101,615	\$0	\$0	\$330,000	\$101,615
2010	365,000	87,755	0	0	365,000	87,755
2011	390,000	72,060	0	0	390,000	72,060
2012	420,000	54,900	0	0	420,000	54,900
2013	0	0	54,734	988,253	54,734	988,253
2014-2016	0	0	119,324	3,084,639	119,324	3,084,639
	<u>\$1,505,000</u>	<u>\$316,330</u>	<u>\$174,058</u>	<u>\$4,072,892</u>	<u>\$1,679,058</u>	<u>\$4,389,222</u>

The remaining portion of the serial bonds, originally issued at \$6,510,000 with bonds maturing on December 1, 2002 to December 1, 2016 are subject to optional redemption, in whole or in part, at the option of the School District, in integral multiples of \$5,000, after December 1, 2011 at the redemption rate of 100%, plus accrued interest to the redemption date.

The capital appreciation bonds, issued at \$174,058, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2013 to December 1, 2016. The maturity amounts of the capital appreciation bonds are \$480,000, \$490,000, \$500,000, and \$525,000. Accretion on the capital appreciation bonds at June 30, 2008 is \$478,602.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

2005 Classroom Facilities Refunding Bonds The School District had previously issued 2001 Classroom Facilities General Obligation Bonds for school improvements that were partially refunded through the 2005 Classroom Facilities Refunding Bonds. At the date of the refunding, \$11,312,028 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2001 Classroom Facilities General Obligation Bonds. As all the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the District's financial statements. See the Defeased Debt portion of this note for further specifics.

On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds to partially retire the 2001 Classroom Facilities General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2027. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$7,555,000, \$2,475,000, and \$415,000, respectively. These refunding bonds were issued with a discount of \$66,484 which is reported as a decrease in bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of the premium for fiscal year 2008 was \$45,414. The issuance costs of \$174,688 are reported as deferred charges and are amortized over the life of the bond using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$7,595. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$867,028. This difference, reported as a decrease in bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the difference for fiscal year 2008 was \$37,697.

The capital appreciation bonds for the 2005 issue mature December 1, 2016 through December 1, 2018. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected a principal liability. The maturity amount of the bonds is \$2,110,000. Accretion for fiscal year 2008 was \$74,467.

Principal and interest requirements to retire the Classroom Facilities Refunding General Obligation Bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Serial/Term		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2009	\$110,000	\$447,663	\$0	\$0	\$110,000	\$447,663
2010	115,000	444,006	0	0	115,000	444,006
2011	120,000	440,037	0	0	120,000	440,037
2012	120,000	435,837	0	0	120,000	435,837
2013	125,000	431,550	0	0	125,000	431,550
2014-2018	405,000	1,265,681	415,000	2,937,525	820,000	4,203,206
2019-2023	3,330,000	1,354,125	0	0	3,330,000	1,354,125
2024-2028	5,650,000	656,413	0	0	5,650,000	656,413
	<u>\$9,975,000</u>	<u>\$5,475,312</u>	<u>\$415,000</u>	<u>\$2,937,525</u>	<u>\$10,390,000</u>	<u>\$8,412,837</u>

The serial bonds, issued at \$7,555,000 with bonds maturing on December 1, 2007 to December 1, 2025 are subject to optional redemption, in whole or in part, at the option of the School District, in integral multiples of \$5,000, after December 1, 2015 at the redemption rate of 100%, plus accrued interest to the redemption date.

The term bonds, issued at \$2,475,000, maturing on December 1, 2026, to December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Ending June 30,	Amount
2027	\$1,195,000
2028	1,280,000
Total	\$2,475,000

The capital appreciation bonds, issued at \$415,000, are not subject to prior redemption. The capital appreciation bonds will mature in December 1, 2016 to December 1, 2018. The maturity amounts of the capital appreciation bonds are \$680,000, \$690,000, and \$740,000. Accretion on the capital appreciation bonds at June 30, 2008 is \$182,071.

Classroom Facilities Tax Anticipation Notes The School District issued Classroom Facilities Tax Anticipation Notes in the amount of \$3,300,000 for classroom facilities additions and improvements. The notes were issued on May 15, 2001, and are backed by the full faith and credit of the School District.

Principal and interest requirements to retire the Classroom Facilities Tax Anticipation Notes outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$355,000	\$73,333	\$428,333
2010	380,000	57,180	437,180
2011	400,000	39,700	439,700
2012	440,000	20,900	460,900
	\$1,575,000	\$191,113	\$1,766,113

Alumni Stadium Lease-Purchase Agreement The School District authorized financing for new athletic facilities in the amount of \$3,200,000 through a lease-purchase agreement with Oak Hill Banks which will retain title to the facility during the lease term. The lease-purchase agreement was issued on March 1, 2004. The School District is required to make semiannual payments of interest and annual payment of principal with final maturity on March 1, 2014.

Principal and interest requirements to retire the Alumni Stadium Lease-Purchase Agreement outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$320,000	\$62,400	\$382,400
2010	320,000	52,000	372,000
2011	320,000	41,600	361,600
2012	320,000	31,200	351,200
2013	320,000	20,800	340,800
2014	320,000	10,400	330,400
	\$1,920,000	\$218,400	\$2,138,400

The School District's overall legal debt margin was \$10,869,307, with an unvoted debt margin of \$260,716 at June 30, 2008.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Defeased Debt As of June 30, 2008, the portion of the 2001 bonds that had been refunded with the 2005 issue that remained outstanding was \$10,445,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2027. The balance of the irrevocable trust account at June 30, 2008, was \$10,839,799.

Note 16 – Contractual Commitments

As of June 30, 2008, the School District had contractual purchase commitments for the completion of construction of three new elementary schools, a middle school, a high school, and demolition costs related to each as follows:

Project	Vendor	Contract Amount	Amount Expended	Balance at 06/30/08
High School	Classroom Facilities Capital Projects Fund	\$301,945	\$291,821	\$10,124
Middle School	Classroom Facilities Capital Projects Fund	6,474,089	6,397,222	76,867
Westview Elementary School	Classroom Facilities Capital Projects Fund	156,256	151,240	5,016
Southview Elementary School	Classroom Facilities Capital Projects Fund	150,946	146,067	4,879
Northview Elementary School	Classroom Facilities Capital Projects Fund	5,878,669	5,276,437	602,232
Total		<u>\$12,961,905</u>	<u>\$12,262,787</u>	<u>\$699,118</u>

Note 17 - Contingencies

A. Grants

The School District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is party to legal proceedings. The School District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

Note 18 - Set-Aside Calculations

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior fiscal years, the School District was required to set-aside money for budget stabilization.

The following cash basis information describes the changes in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Reserve Balance as of as of June 30, 2007	(\$581,694)	\$0
Current Year Set-Aside Requirement	418,774	418,774
Current Year Offsets	0	(606,715)
Qualifying Disbursements	<u>(524,657)</u>	<u>0</u>
Totals	<u>(\$687,577)</u>	<u>(\$187,941)</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>(\$687,577)</u>	<u>\$0</u>
Set-Aside Reserve Balance as of June 30, 2008	<u>(\$687,577)</u>	<u>\$0</u>

The School District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvements set-aside amounts below zero. The extra amount in the textbooks set-aside may be used to reduce the set-aside requirements for future years.

Note 19 – Center for Student Achievement

A. Description of the School

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status. The Center's mission is to serve K through 12 students who may be underperforming or are not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, the sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005, by entering a three year contract with the Jackson City School District (the Sponsor). The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center and one or more parents and community civic leaders. The Sponsor appoints a

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

majority of the Board and is able to impose its will on the Center. The Sponsor can suspend the Center's operations for any of the following reasons: 1.) The Center's failure to meet student performance requirements stated in its contract with the Sponsor; 2.) The Center's failure to meet generally accepted standards of fiscal management; 3.) The Center's violation of any provisions of the contract with the Sponsor or applicable State or Federal law; or 4.) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the children it serves. During the fiscal year ended June 30, 2008, the Center paid the Tri-Rivers Educational Computer Association (TRECA) to provide planning, design, implementation, instructional, administrative, and technical services. The Center had part-time employees that provided intervention instruction to the students of the Center. This intervention was used in conjunction with the TRECA instructional program to assure that students were effectively completing their instructional assignments.

B. Summary of Significant Accounting Policies

The financial statements of the Center are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General 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 Center's accounting policies.

Basis of Presentation The Center's basic financial statements consist of a statement of net assets; a statement of receipts, disbursements and changes in net assets; and a statement of cash flows.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

Measurement Focus and Basis of Accounting The enterprise activity is accounted for using a flow of economic resources measurement focus. Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code Section 5705.

Cash and Cash Equivalents Cash received by the Center is reflected as "equity in pooled cash and cash equivalents" on the statement of net assets. The Center had no investments during the fiscal year ended June 30, 2008.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Capital Assets Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the Center's financial statements.

Net Assets Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports no restricted net assets.

Operating Revenues and Expenses Operating revenues are those revenues that are generated directly from the primary activity of the Center. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Center. All revenues and expenses not meeting this definition are reported as non-operating.

C. Deposits

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center 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 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 held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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;

Jackson City School District, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if trading requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$354,193 of the Center's bank balance of \$354,193 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

D. Contract with TRECA

The Center entered into a one year contract on August 20, 2008, with Tri-Rivers Education Computer Association (TRECA) for management consulting services. Under the contract, the following terms were agreed upon:

- TRECA shall provide the Center with instructional, supervisory/administrative, and technical services sufficient to effectively implement the Center's educational plan and the Center's assessment and accountability plan.
- All personnel providing services to the Center on behalf of TRECA under the agreement shall be employees of TRECA and TRECA shall be solely responsible for all payroll functions, including retirement system contributions and all other legal withholding and/or payroll taxes, with respect to such personnel. All shall possess any certification or licensure which may be required by law.
- The technical services provided to the Center by TRECA shall include access to, and the use of computer software, computer hardware, networking hardware, network services, and the services of technical support personnel necessary to implement the plan of operation.
- The Center shall secure the services of an Executive Director, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Center.
- Curricular services provided by TRECA shall be limited to the standardized curriculum developed by TRECA.
- In exchange for the services and support (including hardware) provided by the TRECA, the Center shall pay to TRECA \$3,900 per full-time student enrolled in the Center per school year. Part-time students may be enrolled on such terms as are agreed to by the parties.

The Center paid TRECA \$24,301 for services rendered in fiscal year 2008. To obtain TRECA's audited June 30, 2008 financial statements, please contact Scott Armstrong, Treasurer, at scott@treca.org.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

E. Defined Benefit Pension Plan

State Teachers Retirement System

Plan Description – The Center 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 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 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.

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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The Center was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 Center's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006, were \$17,054, \$14,330, and \$9,211, respectively; 100 percent has been contributed for fiscal years 2008, 2007, and 2006.

F. Post Employment Benefits

State Teachers Retirement System

Plan Description – The Center contributes to the cost-sharing, multiple employer defined benefit Health 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 or by calling (888)227-7877.

Jackson City School District, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board the 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 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,312, \$1,102, and \$709, respectively; 100 percent has been contributed for fiscal year 2008, 2007, and 2006.

G. Risk Management

The Center is exposed to various risks of loss related to torts; errors and omissions; and natural disasters. During the Fiscal year ended June 30, 2008, the Center had liability insurance through the Jackson City School District's insurance policy.

H. Purchased Services

For the period July 1, 2007 through June 30, 2008, the Center had expenses of \$81,843 for professional and technical services.

I. Related Party Transactions

The five members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor. The Center is reported as a component unit of the Sponsor.

J. Contingencies

Grants The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2008.

Ohio Department of Education Enrollment Review The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2008 review was not completed prior to the compilation of the Center's financial statements.

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JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Program Year	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 99,182	\$	\$ 99,182
Nutrition Cluster:						
School Breakfast Program	10.553	2007/2008	189,194		189,194	
National School Lunch Program	10.555	2007/2008	499,112		499,112	
Total Nutrition Cluster			<u>688,306</u>	<u>0</u>	<u>688,306</u>	<u>0</u>
Total United States Department of Agriculture			688,306	99,182	688,306	99,182
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	2007	48,393		83,293	
		2008	514,397		502,917	
Total Title I Grants to Local Educational Agencies			<u>562,790</u>	<u>0</u>	<u>586,210</u>	<u>0</u>
Special Education Cluster:						
Special Education - Grants to States	84.027	2007	116,235		120,873	
		2008	550,210		531,394	
Total Special Education - Grants to States			<u>666,445</u>	<u>0</u>	<u>652,267</u>	<u>0</u>
Special Education - Preschool Grants	84.173	2007	2,841		4,853	
		2008	22,851		20,760	
Total Special Education - Preschool Grants			<u>25,692</u>	<u>0</u>	<u>25,613</u>	<u>0</u>
Total Special Education Cluster			692,137	0	677,880	0
Safe and Drug-Free Schools and Communities	84.186	2008	11,922		13,247	
Charter Schools	84.282	2007	4,291		9,334	
		2008	17,809		13,290	
Total Charter Schools			<u>22,100</u>	<u>0</u>	<u>22,624</u>	<u>0</u>
Innovative Education Program Strategies	84.298	2007	367		833	
		2008	3,636		4,124	
Total Innovative Education Program Strategies			<u>4,003</u>	<u>0</u>	<u>4,957</u>	<u>0</u>
Education Technology State Grants	84.318	2007	28		215	
		2008	5,830		5,862	
Total Education Technology State Grants			<u>5,858</u>	<u>0</u>	<u>6,077</u>	<u>0</u>
Improving Teacher Quality Grants	84.367	2007	10,887		27,324	
		2008	163,841		152,099	
Total Improving Teacher Quality Grants			<u>174,728</u>	<u>0</u>	<u>179,423</u>	<u>0</u>
Total United States Department of Education			1,473,538	0	1,490,418	0
Total Federal Awards Receipts and Expenditures			<u>\$ 2,161,844</u>	<u>\$ 99,182</u>	<u>\$ 2,178,724</u>	<u>\$ 99,182</u>

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE D – CHARTER SCHOOL

The Charter School grant was awarded to the Center for Student Achievement (CSA), a component unit of the School District. The CSA is responsible for the compliance requirements related to the Charter School grant, however, as the sponsor of the CSA, the School District is the fiscal agent for the grant.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 23, 2009, wherein we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

Jackson City School District
Jackson County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We noted a certain matter that we reported to the School District's management in a separate letter dated April 23, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the 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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2008-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 23, 2009.

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 23, 2009



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Jackson City School District
Jackson County
450 Vaughn Street
Jackson, Ohio 45640

To the Board of Education:

Compliance

We have audited the compliance of the Jackson City School District, Jackson County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District, complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 23, 2009

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: School Breakfast Program – CFDA #10.553 National School Lunch Program – CFDA #10.555 Special Education Cluster: Special Education – Grants to States – CFDA #84.027 Special Education – Preschool Grants – CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2008
(Continued)**

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

FINDING NUMBER 2008-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides, in part, that 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 Admin. Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District filed financial statements with the Auditor of State, but those statements followed a cash and investments accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The School District is subject to fines and various other administrative remedies.

We recommend the School District take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

Officials' Response:

The School District has chosen to use the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.

3. FINDINGS FOR FEDERAL AWARDS

None.

**JACKSON CITY SCHOOL DISTRICT
JACKSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 §.315(b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	A material noncompliance citation was issued under Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	No	Not Corrected: This item is repeated in the accompanying Schedule of Findings as Finding Number 2008-001.
2007-002	A material noncompliance citation was issued under Ohio Rev. Code Section 5705.39 as a result of appropriations exceeding estimated resources.	Yes	
2007-003	A material noncompliance citation was issued under Ohio Rev. Code Sections 5705.41(B) for expenditures exceeding appropriations throughout the year.	No	Partially Corrected: This item is reported in a separate letter to the School District's management.



Mary Taylor, CPA
Auditor of State

JACKSON CITY SCHOOL DISTRICT

JACKSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009