

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	21
Statement of Fiduciary Net Assets Fiduciary Funds.....	22
Statement of Changes in Fiduciary Net Assets Fiduciary Funds.....	23
Notes to the Basic Financial Statements	25
Federal Awards Receipts and Expenditures Schedule.....	57
Notes to the Federal Awards Receipts and Expenditures Schedule	58
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
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	61
Schedule of Findings.....	63

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Jackson Local School District
Stark County
7984 Fulton Drive, NW
Massillon, Ohio 44646

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2007, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditure Schedule 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 29, 2008

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

The discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities decreased \$1,284,097 which represents a 21.57% decrease from 2006.
- General revenues accounted for \$51,521,809 in revenue or 87.71% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$7,221,439 or 12.29% of total revenues of \$58,743,248.
- The District had \$60,027,345 in expenses related to governmental activities; \$7,221,439 of these expenses was offset by program specific charges for services, operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District has three major funds. They are the general fund, debt service fund and building fund. The general fund had \$45,521,314 in revenues and other financing sources and \$46,765,976 in expenditures. The general fund's fund balance decreased from \$3,706,895 to \$2,501,020.
- The debt service fund had \$51,323,127 in revenues and other financing sources and \$50,004,085 in expenditures and other financing uses. The debt service fund's fund balance increased from \$3,242,712 to \$4,561,754.
- The building fund had \$960,920 in revenues and \$18,463,647 in expenditures. The building fund's fund balance decreased from \$23,107,791 to \$5,605,064.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has three major funds: the general fund, debt service fund and building fund.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-56 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

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

	Net Assets	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 65,517,268	\$ 78,610,128
Capital assets	<u>74,787,029</u>	<u>59,109,947</u>
Total assets	<u>140,304,297</u>	<u>137,720,075</u>
<u>Liabilities</u>		
Current liabilities	48,142,313	45,342,043
Long-term liabilities	<u>87,491,684</u>	<u>86,423,635</u>
Total liabilities	<u>135,633,997</u>	<u>131,765,678</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,073,261	2,599,774
Restricted	8,572,109	4,791,218
Unrestricted (deficit)	<u>(4,975,070)</u>	<u>(1,436,595)</u>
Total net assets	<u>\$ 4,670,300</u>	<u>\$ 5,954,397</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$4,670,300.

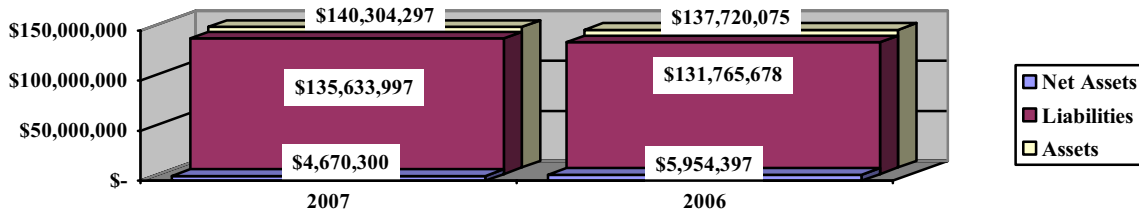
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

At year-end, capital assets represented 53.30% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$1,073,261. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$8,572,109, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$4,600,831 is restricted for debt service and \$3,614,772 is restricted for capital projects. The remaining balance of unrestricted net assets is a deficit of \$4,975,070.

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Revenues		
Program revenues:		
Charges for services and sales	\$ 3,903,037	\$ 2,813,682
Operating grants and contributions	2,234,954	1,645,758
Capital grants and contributions	1,083,448	-
General revenues:		
Property taxes	39,571,866	39,899,735
Grants and entitlements	11,108,319	10,682,220
Investment earnings	777,850	1,905,628
Other	63,774	45,123
Total revenues	58,743,248	56,992,146

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 26,809,243	\$ 23,522,717
Special	3,586,901	3,273,448
Vocational	1,290,296	1,393,670
Adult	96,648	134,666
Other	1,085,978	906,098
Support services:		
Pupil	2,715,976	2,739,400
Instructional staff	2,344,366	2,814,156
Board of education	15,429	16,146
Administration	3,612,295	3,975,217
Fiscal	940,671	956,797
Business	516,570	481,039
Operations and maintenance	5,548,509	4,975,216
Pupil transportation	3,591,279	3,655,427
Central	1,088,727	979,383
Food service operations	1,600,433	1,692,507
Operations of non-instructional services	3,271	4,500
Extracurricular activities	1,684,673	1,758,734
Intergovernmental-pass through	53,826	51,006
Interest and fiscal charges	<u>3,442,254</u>	<u>4,339,744</u>
Total expenses	<u>60,027,345</u>	<u>57,669,871</u>
Change in net assets	(1,284,097)	(677,725)
Net assets at beginning of year	<u>5,954,397</u>	<u>6,632,122</u>
Net assets at end of year	<u>\$ 4,670,300</u>	<u>\$ 5,954,397</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,284,097. Total governmental expenses of \$60,027,345 were offset by program revenues of \$7,221,439 and general revenues of \$51,521,809. Program revenues supported 12.03% of the total governmental expenses.

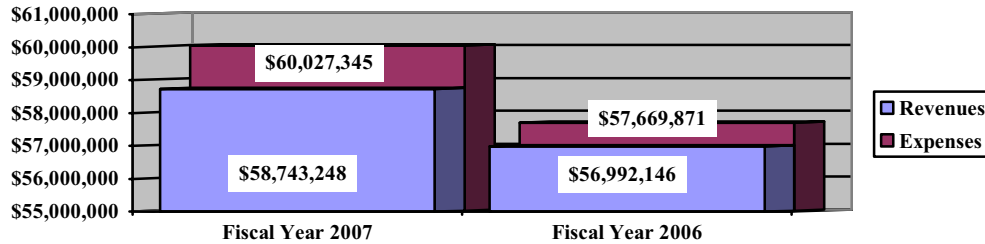
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources account for 86.27% of total governmental revenue. The District successfully renewed a 6.8 mil emergency levy in August 2006. The levy will generate approximately \$8,350,000 per year. The additional income will be dedicated to fund the day to day operations of the District (e.g. salaries, utilities, textbooks, transportation).

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

	Governmental Activities			
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Program expenses				
Instruction:				
Regular	\$ 26,809,243	\$ 25,391,626	\$ 23,522,717	\$ 22,887,026
Special	3,586,901	2,495,664	3,273,448	2,506,086
Vocational	1,290,296	1,160,745	1,393,670	1,246,885
Adult	96,648	(33,447)	134,666	134,666
Other	1,085,978	1,085,978	906,098	816,338
Support services:				
Pupil	2,715,976	2,491,321	2,739,400	2,527,139
Instructional staff	2,344,366	2,032,218	2,814,156	2,487,251
Board of education	15,429	15,429	16,146	16,146
Administration	3,612,295	3,495,008	3,975,217	3,804,116
Fiscal	940,671	939,809	956,797	955,044
Business	516,570	516,570	481,039	481,039
Operations and maintenance	5,548,509	4,439,342	4,975,216	4,930,517
Pupil transportation	3,591,279	3,428,885	3,655,427	3,642,486
Central	1,088,727	1,035,709	979,383	922,856
Food service operations	1,600,433	102,373	1,692,507	288,146
Operations of non-instructional services	3,271	310	4,500	(275)
Extracurricular activities	1,684,673	712,286	1,758,734	1,174,215
Intergovernmental pass-through	53,826	53,826	51,006	51,006
Interest and fiscal charges	3,442,254	3,442,254	4,339,744	4,339,744
Total	<u>\$ 60,027,345</u>	<u>\$ 52,805,906</u>	<u>\$ 57,669,871</u>	<u>\$ 53,210,431</u>

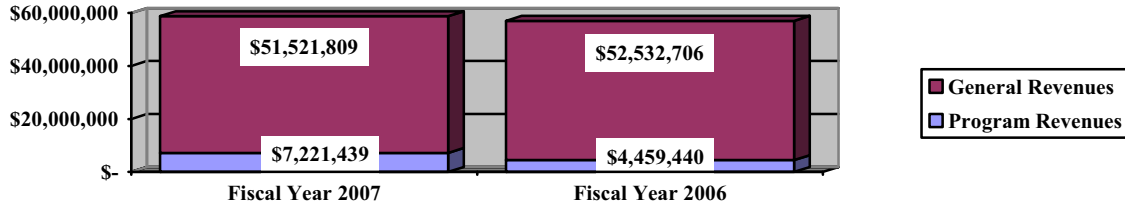
The dependence upon tax and other general revenues for governmental activities is apparent, 91.58% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.97%. The District's taxpayers, as a whole, are by far the primary support for District students.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$13,592,788, which is lower than last year's total of \$31,000,695. The decrease in combined fund balance is attributed to the expenditures associated with the construction project at the high school. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,501,020	\$ 3,706,895	\$ (1,205,875)	(32.53) %
Debt Service	4,561,754	3,242,712	1,319,042	40.68 %
Building	5,605,064	23,107,791	(17,502,727)	(75.74) %
Other Governmental	<u>924,950</u>	<u>943,297</u>	<u>(18,347)</u>	(1.94) %
Total	<u>\$ 13,592,788</u>	<u>\$ 31,000,695</u>	<u>\$ (17,407,907)</u>	(56.15) %

General Fund

During fiscal year 2007, the District's general fund balance decreased \$1,205,875, which can be attributed to increasing expenditures still being more than increased revenues during fiscal year 2007. The table that follows assists in illustrating the financial activities of the general fund.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues and</u>				
<u>Other financing sources</u>				
Taxes	\$ 32,132,770	\$ 32,757,594	\$ (624,824)	(1.91) %
Tuition	269,366	75,232	194,134	258.05 %
Earnings on investments	1,015,221	816,022	199,199	24.41 %
Intergovernmental	10,585,452	9,848,654	736,798	7.48 %
Other revenues	1,390,993	409,271	981,722	239.87 %
Capital lease transactions	<u>127,512</u>	<u>-</u>	<u>127,512</u>	N/A
Total	<u>\$ 45,521,314</u>	<u>\$ 43,906,773</u>	<u>\$ 1,614,541</u>	3.68 %
<u>Expenditures</u>				
Instruction	\$ 27,682,781	\$ 25,667,963	\$ 2,014,818	7.85 %
Support services	17,699,347	18,156,247	(456,900)	(2.52) %
Extracurricular activities	1,159,096	1,108,929	50,167	4.52 %
Intergovernmental pass-through	53,826	51,006	2,820	5.53 %
Facilities acquisition and construction	710	-	710	N/A
Capital outlay	127,512	-	127,512	N/A
Debt service	<u>42,704</u>	<u>78,024</u>	<u>(35,320)</u>	(45.27) %
Total	<u>\$ 46,765,976</u>	<u>\$ 45,062,169</u>	<u>\$ 1,703,807</u>	3.78 %

Tax revenue decreases of 1.91% over the prior fiscal year are due to a one time delinquency/deficiency payment received in fiscal year 2006 of approximately \$800,000. Tuition revenue increased for fiscal year 2007 due to additional tuition received from other districts for students enrolled in Jackson but living in different districts. The increase in investment earnings was due to continued interest rate hikes by the Federal Reserve. The increase in other revenues is due to the first year of student fee collection. Fees collected include classroom fees, parking fees, technology fees and athletic fees. Instructional expenditure increases were attributable to anticipated salary/wage and fringe benefit increases.

Debt Service

During fiscal year 2007, the District's debt service fund balance increased \$1,319,042 due to the refunding of bonds and tax revenues exceeding debt payments for bonds and the maturity of capital appreciation bonds. The table that follows assists in illustrating the financial activities of the debt service fund.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues and</u>				
<u>Other financing sources</u>				
Taxes	\$ 6,193,472	\$ 5,906,081	\$ 287,391	4.87 %
Intergovernmental	871,852	702,381	169,471	24.13 %
Other local revenues	6,422	-	6,422	N/A
Premium/accrued interest from bonds	2,756,408	-	2,756,408	N/A
Proceeds from sale of bonds	<u>41,494,973</u>	<u>-</u>	<u>41,494,973</u>	N/A
Total	<u>\$ 51,323,127</u>	<u>\$ 6,608,462</u>	<u>\$ 44,714,665</u>	676.63 %
<u>Expenditures and</u>				
<u>Other financing uses</u>				
Fiscal	\$ 96,336	\$ 89,601	\$ 6,735	7.52 %
Debt Service:				
Principal	2,965,000	3,535,000	(570,000)	(16.12) %
Interest and fiscal charges	2,691,368	3,424,044	(732,676)	(21.40) %
Bond issuance costs	433,151	-	433,151	N/A
Payment to refunded bond escrow	<u>43,818,230</u>	<u>-</u>	<u>43,818,230</u>	N/A
Total	<u>\$ 50,004,085</u>	<u>\$ 7,048,645</u>	<u>\$ 42,955,440</u>	609.41 %

Building

During fiscal year 2007, the District's building fund balance decreased \$17,502,727 due to the completion of construction projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Earnings on investments	\$ 960,920	\$ 1,161,164	\$ (200,244)	(17.25) %
Total	<u>\$ 960,920</u>	<u>\$ 1,161,164</u>	<u>\$ (200,244)</u>	(17.25) %
<u>Expenditures</u>				
Operations and maintenance	\$ 21,292	\$ 70,471	\$ (49,179)	(69.79) %
Facilities acquisition and construction	<u>18,442,355</u>	<u>21,621,916</u>	<u>(3,179,561)</u>	(14.71) %
Total	<u>\$ 18,463,647</u>	<u>\$ 21,692,387</u>	<u>\$ (3,228,740)</u>	(14.88) %

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

General Fund Budgeting Highlights

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

During the course of fiscal year 2007, the District amended its general fund budget several times. The original budget revenue estimates from July 2006 did not include the renewal of the emergency levy in August 2006. For the general fund, final budgeted revenues and other financing sources of \$46,208,945 were \$3,702,702 higher than the original budgeted revenues estimate of \$42,506,243. Actual revenues and other financing sources of \$46,178,038 were \$30,907 less than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$45,397,200 were \$1,630,550 lower than the final appropriations (appropriated expenditures plus other financing uses) of \$47,027,750, which were \$166,789 higher than original appropriations of \$46,860,961, due to good planning and a tight control of overall expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$74,787,029 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. This entire amount is reported in governmental activities. The table that follows shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 1,974,208	\$ 1,974,208
Land improvements	4,409,182	4,672,332
Buildings and improvements	37,512,029	31,766,815
Furniture and equipment	820,205	769,906
Vehicles	1,754,451	1,987,013
Construction in progress	28,316,954	17,939,673
Total	\$ 74,787,029	\$ 59,109,947

The primary increase occurred in construction in progress related to various District building projects. Total additions to capital assets for 2007 were \$19,014,083. The increase in capital assets is due to capital outlays exceeding depreciation expense in the amount of \$3,334,030 and disposals, net of depreciation, of \$2,971.

See Note 8 to the basic financial statements for detail on the District's capital assets.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

Debt Administration

At June 30, 2007 the District had \$77,356,770 in general obligation bonds outstanding. These issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$4,185,000 is due within one year and \$73,171,770 is due within greater than one year. The table on the following page summarizes the bonds and note outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
Current interest bonds - 2007	\$ 40,295,000	\$ -
Capital appreciation bonds - 2007	1,257,759	-
Current interest bonds - 2005A	5,270,000	6,015,000
Capital appreciation bonds - 2005A	1,908,437	1,710,597
Current interest bonds - 2005B	16,475,000	16,805,000
Capital appreciation bonds - 2005B	2,019,187	1,813,728
Current interest bonds - 2004	4,385,000	46,580,000
Capital appreciation bonds - 2004	2,080,117	1,770,338
Current interest bonds - 2000	2,010,000	2,845,000
Capital appreciation bonds - 2000	1,656,270	1,570,984
Capital appreciation bonds - 1993	<u>-</u>	<u>337,938</u>
Total	<u>\$ 77,356,770</u>	<u>\$ 79,448,585</u>

At June 30, 2007, the District's overall legal debt margin was \$41,429,271 with an unvoted debt margin of \$1,240,187.

See Note 10 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. National events economically affect the Jackson Local School District and the surrounding area and the District continually reviews and analyzes the impact this has on its property tax base and collections. The Board of Education and administration will continue to closely monitor its revenue and expenditures to ensure they are in accordance with its financial forecast.

Over the next few years, three important funding variables will change. The state base-cost amount for funding is projected to increase relatively slowly. Real property values probably will increase more rapidly than the percentage increase in the base cost amount in many districts. Finally, the phase out of the personal property tax will decrease the tax base at widely differing rates depending on each school district's reliance on personal property taxes. The cumulative effect of all three changes will influence the frequency with which schools must resort to new voter approved tax levies in the next few years. The changes will also influence the size of the tax levies necessary. While various estimates can project to some extent how changes in these three variables will play out, a real appreciation for these changes will not occur until school districts actually experience them.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

The financial future of Jackson Local School District will be challenging. The District relies heavily on local property taxes for funding its operations. With 67% of the revenue from the district coming from local property taxes, one can see the significant impact this has on the district and ultimately the residential taxpayers. Tax year 2006 was a property tax reappraisal year for Stark County. Property values in the county increased an average of 6.4%. The additional tax revenue received from reappraisal along with the districts cash balance will provide the District with the necessary funds to meet its operating expenses for fiscal year 2009. However, without additional sources of revenue, the future financial stability of the District is not without challenges. Additional revenue and/or further reductions in expenditures will be necessary to maintain a positive general fund balance. The District has communicated to its community its reliance upon their support for the major part of its operations and will continue to work diligently to plan expenses staying carefully within the District's five-year financial plan. .

The District will ask voters for additional revenue in fiscal year 2008. The District has been conservative when spending funds. Cuts to planned expenditures have been made over the past two school years to extend the life of the balance in the general fund. Those cuts included the elimination of teaching positions, administrative position and non-teaching positions, along with combining high school and middle school bus routes. In addition, the District offered an Early Retirement Incentive program to certified employees. This program allowed the District to hire new certified staff at a lower salary step. This will save the District salary and benefit costs. Salary and benefits costs comprise the largest percentage of the District's operating budget.

The impact to the District on its tangible tax base and collections will be significant over the next 10 years. Personal property taxes are being phased out. The District currently collects over \$4 million in tangible personal property taxes.

Over the past 10 years, there were only 2 years in which the District saw significant increases in enrollment. Without significant growth in enrollment, the District cannot realize additional state revenues.

As a result of the challenges mentioned above, it is imperative the District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Linda Paris, Treasurer, Jackson Local School District, 7984 Fulton Drive NW, Massillon, Ohio 44646.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 22,207,141
Receivables:	
Taxes	41,968,986
Accounts	7,625
Intergovernmental	122,481
Accrued interest	123,179
Prepayments	43,669
Materials and supplies inventory	192,108
Unamortized bond issue costs	852,079
Capital assets:	
Land	1,974,208
Construction in progress	28,316,954
Depreciable capital assets, net	44,495,867
Capital assets, net.	74,787,029
 Total assets.	 140,304,297
Liabilities:	
Accounts payable.	83,130
Contracts payable.	2,118,109
Accrued wages and benefits	5,191,693
Pension obligation payable.	1,221,741
Intergovernmental payable	175,870
Unearned revenue	39,221,312
Accrued interest payable	130,458
Long-term liabilities:	
Due within one year.	6,212,029
Due within more than one year	81,279,655
Total liabilities	135,633,997
Net Assets:	
Invested in capital assets, net of related debt.	1,073,261
Restricted for:	
Capital projects	3,614,772
Debt service.	4,600,831
Locally funded programs	998
State funded programs	22,882
Federally funded programs	51,082
Student activities	281,544
Unrestricted (deficit).	(4,975,070)
Total net assets	\$ 4,670,300

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 26,809,243	\$ 1,253,674	\$ 163,943	\$ -	\$ (25,391,626)
Special	3,586,901	4,209	1,087,028	-	(2,495,664)
Vocational	1,290,296	79,653	49,898	-	(1,160,745)
Adult	96,648	59,416	70,679	-	33,447
Other	1,085,978	-	-	-	(1,085,978)
Support services:					
Pupil	2,715,976	170,105	54,550	-	(2,491,321)
Instructional staff	2,344,366	1,445	310,703	-	(2,032,218)
Board of education	15,429	-	-	-	(15,429)
Administration	3,612,295	108,514	8,773	-	(3,495,008)
Fiscal	940,671	-	862	-	(939,809)
Business	516,570	-	-	-	(516,570)
Operations and maintenance	5,548,509	69,692	270	1,039,205	(4,439,342)
Pupil transportation	3,591,279	13,041	105,110	44,243	(3,428,885)
Central	1,088,727	15,278	37,740	-	(1,035,709)
Operation of non-instructional services:					
Food service operations	1,600,433	1,155,623	342,437	-	(102,373)
Other non-instructional services	3,271	-	2,961	-	(310)
Extracurricular activities	1,684,673	972,387	-	-	(712,286)
Intergovernmental pass-through	53,826	-	-	-	(53,826)
Interest and fiscal charges	3,442,254	-	-	-	(3,442,254)
Total governmental activities	\$ 60,027,345	\$ 3,903,037	\$ 2,234,954	\$ 1,083,448	(52,805,906)
General Revenues:					
Property taxes levied for:					
					32,194,989
					6,232,527
					1,144,350
					11,108,319
					777,850
					63,774
					<u>51,521,809</u>
					(1,284,097)
					<u>5,954,397</u>
					<u>\$ 4,670,300</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 9,093,148	\$ 4,272,378	\$ 7,720,325	\$ 1,121,290	\$ 22,207,141
Receivables:					
Taxes	33,803,395	6,979,949	-	1,185,642	41,968,986
Accounts	1,203	6,422	-	-	7,625
Intergovernmental	-	-	-	122,481	122,481
Accrued interest	42,046	-	81,133	-	123,179
Interfund loans	4,900	-	-	-	4,900
Prepayments	43,669	-	-	-	43,669
Materials and supplies inventory	156,260	-	-	35,848	192,108
Total assets	<u>\$ 43,144,621</u>	<u>\$ 11,258,749</u>	<u>\$ 7,801,458</u>	<u>\$ 2,465,261</u>	<u>\$ 64,670,089</u>
Liabilities:					
Accounts payable	\$ 31,235	\$ -	\$ -	\$ 51,895	\$ 83,130
Contracts payable	-	-	2,118,109	-	2,118,109
Accrued wages and benefits	4,975,521	-	-	216,172	5,191,693
Compensated absences payable	298,376	-	-	-	298,376
Pension obligation payable	1,143,071	-	-	78,670	1,221,741
Intergovernmental payable	167,763	-	-	8,107	175,870
Interfund loan payable	-	-	-	4,900	4,900
Early retirement incentive payable	1,522,707	-	-	-	1,522,707
Unearned revenue	31,587,595	6,527,460	-	1,106,257	39,221,312
Deferred revenue	917,333	169,535	78,285	74,310	1,239,463
Total liabilities	<u>40,643,601</u>	<u>6,696,995</u>	<u>2,196,394</u>	<u>1,540,311</u>	<u>51,077,301</u>
Fund Balances:					
Reserved for encumbrances	757,487	-	5,392,318	225,715	6,375,520
Reserved for materials and supplies inventory	156,260	-	-	35,848	192,108
Reserved for prepayments	43,669	-	-	-	43,669
Reserved for property tax unavailable for appropriation	1,299,592	282,954	-	49,644	1,632,190
Reserved for debt service	-	4,278,800	-	-	4,278,800
Unreserved, undesignated, reported in:					
General fund	244,012	-	-	-	244,012
Special revenue funds	-	-	-	364,201	364,201
Capital projects funds	-	-	212,746	249,542	462,288
Total fund balances	<u>2,501,020</u>	<u>4,561,754</u>	<u>5,605,064</u>	<u>924,950</u>	<u>13,592,788</u>
Total liabilities and fund balances	<u>\$ 43,144,621</u>	<u>\$ 11,258,749</u>	<u>\$ 7,801,458</u>	<u>\$ 2,465,261</u>	<u>\$ 64,670,089</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 13,592,788
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		74,787,029
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 1,116,609	
Intergovernmental	44,569	
Accrued interest	78,285	
Total		1,239,463
Unamortized deferred charges are not recognized in the funds.		3,285,942
Unamortized premiums on bond issuance is not recognized in the funds.		(5,408,552)
Unamortized bond issuance costs are not recognized in the funds.		852,079
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(130,458)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(4,426,994)	
Early retirement incentive payable	(1,580,357)	
General obligation bonds payable	(77,356,770)	
Capital lease obligation payable	(183,870)	
Total		(83,547,991)
Net assets of governmental activities		\$ 4,670,300

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Debt Service	Building	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 32,132,770	\$ 6,193,472	\$ -	\$ 1,140,189	\$ 39,466,431
Tuition.	269,366	-	-	50,919	320,285
Transportation fees	13,041	-	-	-	13,041
Charges for services.	-	-	-	1,155,623	1,155,623
Earnings on investments.	1,015,221	-	960,920	69	1,976,210
Extracurricular.	439,672	-	-	655,659	1,095,331
Classroom materials and fees	582,084	-	-	114,042	696,126
Other local revenues.	356,196	6,422	-	323,786	686,404
Other revenue.	78,687	-	-	-	78,687
Intergovernmental - State.	10,443,670	871,852	-	293,342	11,608,864
Intergovernmental - Federal	63,095	-	-	1,593,208	1,656,303
Total revenue.	<u>45,393,802</u>	<u>7,071,746</u>	<u>960,920</u>	<u>5,326,837</u>	<u>58,753,305</u>
Expenditures:					
Current:					
Instruction:					
Regular	22,730,264	-	-	284,644	23,014,908
Special.	2,741,851	-	-	802,647	3,544,498
Vocational.	1,124,238	-	-	66,240	1,190,478
Adult	-	-	-	96,648	96,648
Other.	1,086,428	-	-	-	1,086,428
Support services:					
Pupil.	2,498,820	-	-	229,041	2,727,861
Instructional staff	1,966,651	-	-	295,173	2,261,824
Board of education	15,429	-	-	-	15,429
Administration.	3,497,387	-	-	122,383	3,619,770
Fiscal	843,882	96,336	-	18,761	958,979
Business	508,362	-	-	200	508,562
Operations and maintenance.	4,576,653	-	21,292	130	4,598,075
Pupil transportation	2,827,946	-	-	238,824	3,066,770
Central.	964,217	-	-	52,302	1,016,519
Operation of non-instructional services:					
Food service operations	-	-	-	1,409,142	1,409,142
Other non-instructional services	-	-	-	3,271	3,271
Extracurricular activities.	1,159,096	-	-	471,531	1,630,627
Intergovernmental pass-through	53,826	-	-	-	53,826
Facilities acquisition and construction	710	-	18,442,355	1,248,101	19,691,166
Capital outlay	127,512	-	-	-	127,512
Debt service:					
Principal retirement	36,699	2,965,000	-	-	3,001,699
Interest and fiscal charges	6,005	2,691,368	-	-	2,697,373
Bond issuance costs	-	433,151	-	-	433,151
Total expenditures	<u>46,765,976</u>	<u>6,185,855</u>	<u>18,463,647</u>	<u>5,339,038</u>	<u>76,754,516</u>
Excess (deficiency) of revenues under	<u>(1,372,174)</u>	<u>885,891</u>	<u>(17,502,727)</u>	<u>(12,201)</u>	<u>(18,001,211)</u>
Other financing sources (uses):					
Capital lease transaction.	127,512	-	-	-	127,512
Premium on sale of bonds.	-	2,756,408	-	-	2,756,408
Sale of refunding bonds	-	41,494,973	-	-	41,494,973
Payment to refunded bond escrow	-	(43,818,230)	-	-	(43,818,230)
Total other financing sources (uses)	<u>127,512</u>	<u>433,151</u>	<u>-</u>	<u>-</u>	<u>560,663</u>
Net change in fund balances	(1,244,662)	1,319,042	(17,502,727)	(12,201)	(17,440,548)
Fund balances at beginning of year.	3,706,895	3,242,712	23,107,791	943,297	31,000,695
Increase (decrease) in reserve for inventory.	38,787	-	-	(6,146)	32,641
Fund balances at end of year	<u>\$ 2,501,020</u>	<u>\$ 4,561,754</u>	<u>\$ 5,605,064</u>	<u>\$ 924,950</u>	<u>\$ 13,592,788</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	(17,440,548)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 19,014,083	
Current year depreciation	<u>(3,334,030)</u>	
Total		15,680,053
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(2,971)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(2,756,409)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		433,151
Deferred charges are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		2,323,231
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		32,641
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	105,435	
Intergovernmental revenue	43,594	
Accrued interest	<u>(159,086)</u>	
Total		(10,057)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		44,496,699
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities in the statement of net assets.		
		(127,512)
Proceeds from the sale of bonds are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities in the statement of net assets.		
		(41,494,973)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest	72,488	
Accreted interest on capital appreciation bonds	(873,185)	
Amortization of deferred charges	(237,970)	
Amortization of bond premium	351,839	
Amortization of bond issuance costs	<u>(58,053)</u>	
Total		(744,881)
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(1,672,521)
Change in net assets of governmental activities	<u>\$</u>	<u>(1,284,097)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 30,281,013	\$ 32,918,779	\$ 32,918,806	\$ 27
Tuition	247,195	268,728	269,366	638
Earnings on investments	827,883	900,000	938,306	38,306
Transportation fees	11,958	13,000	13,041	41
Extracurricular	404,449	439,680	439,672	(8)
Classroom materials and fees	535,791	582,464	582,206	(258)
Other local revenues	292,410	317,882	332,510	14,628
Other revenue	72,381	78,686	78,687	1
Intergovernmental - State	9,670,091	10,512,449	10,443,670	(68,779)
Intergovernmental - Federal	57,952	63,000	63,095	95
Total revenue	<u>42,401,123</u>	<u>46,094,668</u>	<u>46,079,359</u>	<u>(15,309)</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,339,102	21,047,229	20,984,211	63,018
Special	2,994,962	2,932,320	2,837,099	95,221
Vocational	1,221,908	1,221,308	1,129,607	91,701
Other	1,125,400	1,135,400	1,127,625	7,775
Support services:				
Pupil	2,597,042	2,674,781	2,575,772	99,009
Instructional staff	2,134,725	2,198,432	1,983,434	214,998
Board of education	20,015	20,015	15,427	4,588
Administration	3,581,796	3,628,953	3,526,123	102,830
Fiscal	870,160	870,160	856,447	13,713
Business	555,043	594,043	576,397	17,646
Operations and maintenance	4,835,334	4,854,634	4,638,176	216,458
Pupil transportation	2,997,000	2,997,000	2,858,803	138,197
Central	1,005,665	1,105,665	1,074,062	31,603
Extracurricular activities	1,284,863	1,289,864	1,143,955	145,909
Facilities acquisition and construction	35,000	35,000	710	34,290
Intergovernmental pass-through	55,106	55,106	53,826	1,280
Total expenditures	<u>46,653,121</u>	<u>46,659,910</u>	<u>45,381,674</u>	<u>1,278,236</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,251,998)</u>	<u>(565,242)</u>	<u>697,685</u>	<u>1,262,927</u>
Other financing sources (uses):				
Refund of prior year expenditure	4,599	5,000	5,830	830
Refund of prior year receipt	(1,875)	(11,875)	(10,576)	1,299
Transfers in	15,362	16,700	-	(16,700)
Transfers (out)	(90,000)	(90,000)	-	90,000
Advances in	62,567	68,017	68,063	46
Advances (out)	(115,965)	(265,965)	(4,950)	261,015
Sale of capital assets	22,592	24,560	24,786	226
Total other financing sources (uses)	<u>(102,720)</u>	<u>(253,563)</u>	<u>83,153</u>	<u>336,716</u>
Net change in fund balance	(4,354,718)	(818,805)	780,838	1,599,643
Fund balance at beginning of year	6,611,144	6,611,144	6,611,144	-
Prior year encumbrances appropriated	928,387	928,387	928,387	-
Fund balance at end of year	<u>\$ 3,184,813</u>	<u>\$ 6,720,726</u>	<u>\$ 8,320,369</u>	<u>\$ 1,599,643</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 49,886	\$ 123,604
Receivables:		
Accounts	-	588
Total assets.	49,886	\$ 124,192
Liabilities:		
Accounts payable.	50	\$ 13,968
Due to students	-	110,224
Total liabilities	50	\$ 124,192
Net Assets:		
Held in trust for scholarships	49,836	
Total net assets	\$ 49,836	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 2,513
Gifts and contributions.	19,015
	21,528
Total additions.	21,528
Deductions:	
Scholarships awarded	19,701
	1,827
Change in net assets	1,827
Net assets at beginning of year	48,009
Net assets at end of year.	\$ 49,836

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 54th largest by total enrollment among the 876 public and community school districts in the state and 3rd largest in Stark County. The District employs 273 non-certified, and 367 certified employees to provide services to 5,885 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC, a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of 31 member districts; however, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

PUBLIC ENTITY RISK POOLS

Stark County Schools Council of Governments (the "Council")

The Council is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of a 42 member council of which 27 are member school districts.

Stark County Schools Council of Governments Workers' Compensation Group Rating Plan

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and the members who have been appointed by the respective governing body of each member.

The intent of the pool is to achieve a reduced rate for the District and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

Stark County Tax Incentive Review Council (SCTIRC)

SCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State statutes. SCTIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The SCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the SCTIRC is not dependent upon the District's continued participation and no measurable equity interest exists.

B. Fund Accounting

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bonds and notes principal and interest from governmental resources when the government is obligated in some manner for payment.

Building Fund - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

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

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

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the object level of expenditures. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the object level of expenditures, the District has elected to present the budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual Appropriation Resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

The Appropriation Resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

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

F. Cash and Investments

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposits, federal agency securities, U.S. Government money market, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$1,015,221, which includes \$737,336 assigned from other District funds.

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

An analysis of the District's investment account at year-end is provided in Note 4.

G. Inventory

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

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

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

H. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance and costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10 A.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

K. Compensated Absences

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, materials and supplies inventory, property taxes unavailable for appropriation and debt service. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

N. Net Assets

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

P. Estimates

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2007, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 78,254
Entry Year Programs	970
Ohio Reads	54
Carl D. Perkins	166
Title I	2,643
Drug Free School	33
Miscellaneous Federal Grants	10

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies are to be deposited or invested in the following securities:

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year-end, the District had \$2,588 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$8,072,750. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$8,228,051 of the District's bank balance of \$8,428,051 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 7,258,373	\$ 7,258,373
U.S. Government Money Market	449,014	449,014
FHLB	2,700,092	2,700,092
FNMA	<u>3,897,814</u>	<u>3,897,814</u>
	<u>\$ 14,305,293</u>	<u>\$ 14,305,293</u>

The weighted average maturity of investments is .07 years.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 7,258,373	50.74
U.S. Government Money Market	449,014	3.14
FNMA	3,897,814	27.25
FHLB	2,700,092	18.87
	<u>\$ 14,305,293</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 8,072,750
Investments	14,305,293
Cash on hand	2,588
Total	<u>\$ 22,380,631</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 22,207,141
Private-purpose trust funds	49,886
Agency funds	123,604
Total	<u>\$ 22,380,631</u>

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 4,900

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2005. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Stark and Summit Counties. The Stark County Auditor and the Summit County Fiscal Officer periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2007 was \$1,299,592 in the general fund, \$282,954 in the debt service fund and \$49,644 in the Permanent improvement capital projects fund (a nonmajor fund). These amounts have been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$2,085,628 in the general fund, \$386,863 in the debt service fund, and \$75,860 in the Permanent improvement capital projects fund (a nonmajor fund).

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

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

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,083,365,610	89.18	\$ 1,209,618,100	91.62
Public Utility Personal	34,469,040	2.84	35,020,300	2.65
Tangible Personal Property	<u>97,015,670</u>	<u>7.98</u>	<u>75,573,679</u>	<u>5.73</u>
Total	<u>\$ 1,214,850,320</u>	<u>100.00</u>	<u>\$ 1,320,212,079</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations		\$48.50		\$47.40
Permanent improvements		\$1.00		\$1.00

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 7 - RECEIVABLES - (Continued)

Governmental Activities

Taxes	\$ 41,968,986
Accounts	7,625
Accrued interest	123,179
Intergovernmental	<u>122,481</u>
Total	<u>\$ 42,222,271</u>

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

NOTE 8 - CAPITAL ASSETS

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

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2007</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,974,208	\$ -	\$ -	\$ 1,974,208
Construction in progress	<u>17,939,673</u>	<u>16,712,163</u>	<u>(6,334,882)</u>	<u>28,316,954</u>
Total capital assets, not being depreciated	<u>19,913,881</u>	<u>16,712,163</u>	<u>(6,334,882)</u>	<u>30,291,162</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,893,652	135,512	-	5,029,164
Building and improvements	58,397,465	7,901,488	-	66,298,953
Furniture and equipment	2,093,934	292,286	-	2,386,220
Vehicles	<u>4,630,466</u>	<u>307,516</u>	<u>(81,334)</u>	<u>4,856,648</u>
Total capital assets, being depreciated	<u>70,015,517</u>	<u>8,636,802</u>	<u>(81,334)</u>	<u>78,570,985</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(221,320)	(398,662)	-	(619,982)
Building and improvements	(26,630,650)	(2,156,274)	-	(28,786,924)
Furniture and equipment	(1,324,028)	(241,987)	-	(1,566,015)
Vehicles	<u>(2,643,453)</u>	<u>(537,107)</u>	<u>78,363</u>	<u>(3,102,197)</u>
Total accumulated depreciation	<u>(30,819,451)</u>	<u>(3,334,030)</u>	<u>78,363</u>	<u>(34,075,118)</u>
Governmental activities capital assets, net	<u>\$ 59,109,947</u>	<u>\$ 22,014,935</u>	<u>\$ (6,337,853)</u>	<u>\$ 74,787,029</u>

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 8 - CAPITAL ASSETS- (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,832,026
Special	59,677
Vocational	132,783
<u>Support Services:</u>	
Pupil	51,630
Instructional staff	93,513
Administration	72,379
Fiscal	7,585
Business	12,751
Operations and maintenance	206,239
Pupil transportation	550,681
Central	72,627
Extracurricular activities	62,550
Food service operations	<u>179,589</u>
Total depreciation expense	<u>\$3,334,030</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years and in the current year, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as business function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$309,686. Accumulated depreciation on these assets was \$130,042, resulting in a carrying value of \$179,644. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$36,699 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 69,012
2009	54,948
2010	30,996
2011	30,996
2012	<u>30,996</u>
Total minimum lease payments	216,948
Less amount representing interest	<u>(33,078)</u>
Total	<u>\$ 183,870</u>

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amount
	<u>June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2007</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 79,448,585	\$ 42,368,185	\$ (44,460,000)	\$ 77,356,770	\$ 4,185,000
Capital lease obligation	93,057	127,512	(36,699)	183,870	56,471
Early retirement incentive	-	3,103,064	-	3,103,064	1,522,707
Compensated absences	<u>4,715,122</u>	<u>533,632</u>	<u>(523,384)</u>	<u>4,725,370</u>	<u>447,851</u>
Total	<u>\$ 84,256,764</u>	<u>\$ 46,132,393</u>	<u>\$ (45,020,083)</u>	85,369,074	<u>\$ 6,212,029</u>
Less: deferred charge on refunding				(3,285,942)	
Add: unamortized premium				<u>5,408,552</u>	
Total on statement of net assets				<u>\$ 87,491,684</u>	

Compensated absences are paid primarily from the general fund and food service fund (a nonmajor governmental fund).

Early Retirement Incentive Program

The District has offered an early retirement incentive (ERI) to certified teaching staff. A liability for severance payments due under the ERI have been recorded on the fund financial statements, in the general fund, as early retirement incentive payable to the extent the liability is expected to be liquidated with expendable available resources.

- B. On August 3, 2000, the District issued general obligation bonds to provide funds for the construction and improvements to various school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the debt service fund.

During fiscal year 2005, \$19,045,000, of the current interest bonds were refunded. The District paid \$835,000 in principal on the current interest bonds during 2007. None of the capital appreciation bonds were refunded.

At June 30, 2007, the remaining Series 2000 issue is comprised of both current interest bonds, par value \$2,010,000 and capital appreciation bonds, par value \$804,509.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2010. The capital appreciation bonds mature on December 1, 2007 (effective interest 10.86%) and December 1, 2008 (effective interest 10.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bond is \$1,840,000. A total of \$851,761 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2007 on the Series 2000 general obligation bonds:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Current interest bonds	\$ 2,845,000	\$ -	\$ (835,000)	\$ 2,010,000
Capital appreciation bonds	<u>1,570,984</u>	<u>85,286</u>	<u>-</u>	<u>1,656,270</u>
Total G.O. bonds	<u>\$ 4,415,984</u>	<u>\$ 85,286</u>	<u>\$ (835,000)</u>	<u>\$ 3,666,270</u>

The following is a summary of the future debt service requirements to maturity for the Series 2000 general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ -	\$ 98,490	\$ 98,490	\$ 416,961	\$ 488,039	\$ 905,000
2009	-	98,490	98,490	387,548	547,452	935,000
2010	965,000	74,847	1,039,847	-	-	-
2011	<u>1,045,000</u>	<u>24,602</u>	<u>1,069,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,010,000</u>	<u>\$ 296,429</u>	<u>\$ 2,306,429</u>	<u>\$ 804,509</u>	<u>\$ 1,035,491</u>	<u>\$ 1,840,000</u>

- C. On July 27, 1993, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the debt service fund.

During fiscal year 2005, \$7,440,000 of these current interest bonds were refunded. The capital appreciation bonds were not refunded. During fiscal year 2005, capital appreciation bonds of \$433,799 matured with a total amount of accreted interest of \$1,056,201. During fiscal year 2006, capital appreciation bonds of \$95,321 matured with a total amount of accreted interest of \$259,679.

The following is a schedule of activity for fiscal 2007 on the Series 1993 capital appreciation bonds:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Capital appreciation bonds	<u>\$ 337,938</u>	<u>\$ 17,062</u>	<u>\$ (355,000)</u>	<u>\$ -</u>

- D. On May 19, 2004, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the debt service fund.

During fiscal year 2007, the District refunded \$41,495,000 of the current interest bonds.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$47,225,000, and capital appreciation bonds, par value \$1,274,938. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2008 (effective interest 16.80%), December 1, 2009 (effective interest 16.80%) and December 1, 2010 (effective interest rate 16.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,110,000. A total of \$805,179 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2013.

The following is a schedule of activity for fiscal 2007 on the Series 2004 general obligation bonds:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Current interest bonds	\$ 46,580,000	\$ -	\$(42,195,000)	\$ 4,385,000
Capital appreciation bonds	1,770,338	309,779	-	2,080,117
Total G.O. bonds	\$ 48,350,338	\$ 309,779	\$(42,195,000)	\$ 6,465,117

The following is a summary of the future debt service requirements to maturity for the Series 2004 general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 900,000	\$ 147,850	\$ 1,047,850	\$ -	\$ -	\$ -
2009	-	136,600	136,600	466,822	503,178	970,000
2010	-	136,600	136,600	417,751	602,249	1,020,000
2011	-	136,600	136,600	390,365	729,635	1,120,000
2012	1,120,000	115,600	1,235,600	-	-	-
2013 - 2014	2,365,000	95,500	2,460,500	-	-	-
Total	\$ 4,385,000	\$ 768,750	\$ 5,153,750	\$ 1,274,938	\$ 1,835,062	\$ 3,110,000

- E.** On September 30, 2004, the District issued general obligation bonds (Series 2005A Refunding Bonds) to advance refund the callable portion of the Series 1993 Current Interest General Obligation Bonds (principal \$7,440,000). The issuance proceeds of \$7,439,952 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$6,015,000, and capital appreciation bonds, par value \$1,424,952. The capital appreciation bonds mature December 1, 2010 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2,650,000. Total accreted interest of \$483,485 has been included in the statement of activities.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2007 on the Series 2005A refunding bonds:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Current interest bonds	\$ 6,015,000	\$ -	\$ (745,000)	\$ 5,270,000
Capital appreciation bonds	<u>1,710,597</u>	<u>197,840</u>	<u>-</u>	<u>1,908,437</u>
Total refunding bonds	<u>\$ 7,725,597</u>	<u>\$ 197,840</u>	<u>\$ (745,000)</u>	<u>\$ 7,178,437</u>

The following is a summary of the future debt service requirements to maturity for the Series 2005A refunding bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,185,000	\$ 148,550	\$ 1,333,550	\$ -	\$ -	\$ -
2009	1,235,000	116,756	1,351,756	-	-	-
2010	-	99,775	99,775	732,630	557,370	1,290,000
2011	-	99,775	99,775	692,322	667,678	1,360,000
2012	1,385,000	75,538	1,460,538	-	-	-
2013 - 2014	<u>1,465,000</u>	<u>26,025</u>	<u>1,491,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,270,000</u>	<u>\$ 566,419</u>	<u>\$ 5,836,419</u>	<u>\$ 1,424,952</u>	<u>\$ 1,225,048</u>	<u>\$ 2,650,000</u>

- F. On April 21, 2005, the District issued general obligation bonds (Series 2005B Refunding Bonds to advance refund a portion of the Series 2000 Current Interest General Obligation Bonds (principal \$19,045,000). The issuance proceeds of \$19,044,916 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. The capital appreciation bonds mature December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,450,000. Total accreted interest of \$409,271 has been included in the statement of activities.

The following is a schedule of activity for fiscal 2007 on the Series 2005B refunding bonds:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Current interest bonds	\$ 16,805,000	\$ -	\$ (330,000)	\$ 16,475,000
Capital appreciation bonds	<u>1,813,728</u>	<u>205,459</u>	<u>-</u>	<u>2,019,187</u>
Total refunding bonds	<u>\$ 18,618,728</u>	<u>\$ 205,459</u>	<u>\$ (330,000)</u>	<u>\$ 18,494,187</u>

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2005B refunding bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 430,000	\$ 784,675	\$ 1,214,675	\$ -	\$ -	\$ -
2009	440,000	771,625	1,211,625	-	-	-
2010	450,000	757,150	1,207,150	-	-	-
2011	565,000	739,388	1,304,388	-	-	-
2012	-	729,500	729,500	841,132	868,868	1,710,000
2013 - 2017	8,270,000	2,851,250	11,121,250	768,784	971,216	1,740,000
2018 - 2021	6,320,000	430,250	6,750,250	-	-	-
Total	<u>\$ 16,475,000</u>	<u>\$ 7,063,838</u>	<u>\$ 23,538,838</u>	<u>\$ 1,609,916</u>	<u>\$ 1,840,084</u>	<u>\$ 3,450,000</u>

- G. On March 2, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund \$41,495,000 of the Series 2004 Current Interest General Obligation Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$40,295,000, and capital appreciation bonds, par value \$1,199,973. The interest rates on the current interest bonds range from 3.58% to 4.38%. The capital appreciation bonds mature on December 1, 2014, December 1, 2015, December 1, 2016 and December 1, 2017 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$6,740,000. Total accreted interest of \$57,786 has been included in the statement of net assets. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

The following is a schedule of activity for fiscal 2007 on the Series 2007 refunding bonds:

	Balance June 30, 2006		Additions	Reductions	Balance June 30, 2007	
Current interest bonds	\$ -	\$ 40,295,000	\$ -	\$ -	\$ 40,295,000	
Capital appreciation bonds	-	1,257,759	-	-	1,257,759	
Total refunding bonds	<u>\$ -</u>	<u>\$ 41,552,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,552,759</u>	

The reacquisition price exceeded the net carrying amount of the old debt by \$2,323,230. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by 3.6% and resulted in an economic gain of \$1,507,345.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 765,000	\$ 1,677,591	\$ 2,442,591	\$ -	\$ -	\$ -
2009	340,000	1,655,492	1,995,492	-	-	-
2010	355,000	1,641,592	1,996,592	-	-	-
2011	370,000	1,627,092	1,997,092	-	-	-
2012	385,000	1,611,992	1,996,992	-	-	-
2013 - 2017	815,000	7,891,360	8,706,360	979,137	4,075,863	5,055,000
2018 - 2020	7,155,000	7,299,012	14,454,012	220,836	1,464,164	1,685,000
2021 - 2027	10,740,000	5,309,755	16,049,755	-	-	-
2028 - 2032	13,250,000	2,757,614	16,007,614	-	-	-
2033 - 2034	6,120,000	395,676	6,515,676	-	-	-
Total	<u>\$ 40,295,000</u>	<u>\$ 31,867,176</u>	<u>\$ 72,162,176</u>	<u>\$ 1,199,973</u>	<u>\$ 5,540,027</u>	<u>\$ 6,740,000</u>

H. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$41,429,271 (including available funds of \$4,561,754) and an unvoted debt margin of \$1,240,187.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 290 days for both classified and certified employees. Upon retirement, classified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days. Upon retirement, classified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 63 days.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

B. Early Retirement Incentive

The District provides an early retirement incentive plan for State Teacher’s Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS guidelines and retire effective at the end of the fiscal year 2007 or 2008 school year. Employees who enroll in the early retirement incentive plan will receive two years of service credit from STRS Ohio paid by the District in addition to their severance payment. This is a one time opportunity for those eligible in fiscal years 2007 or 2008. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before June 1, 2007. The early retirement incentive buyout amounts are paid in two cash payments in January of the year following their retirement and following year. Thirty employees took advantage of the early retirement incentive in fiscal year 2007. Twenty eight employees took advantage of the early retirement incentive in fiscal year 2008. A liability for the early retirement incentive payments has been recorded in the fund financial statements for the amount expected to be liquidated with expendable available financial resources. The entire liability is recorded on the statement of net assets.

C. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles for which the policy period was September 1, 2006 through September 1, 2008. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District’s insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance		
Each occurrence		\$1,000,000	\$ 0
Aggregate		2,000,000	0
Products/Complete Operations Aggregate		2,000,000	0
Building and contents	Indiana Insurance	Replacement cost	5,000
Fleet:	Indiana Insurance		
Auto only		1,000,000	0
Uninsured Motorist		50,000	0
Comprehensive			250
Collision			500

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Umbrella liability	Indiana Insurance	6,000,000	0
Aggregate		6,000,000	10,000 Retention
Employee Benefits Liability	Indiana Insurance		
Each occurrence		1,000,000	1,000
Aggregate		3,000,000	0
School leaders errors and omissions liability	Indiana Insurance		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	0
School law enforcement liability	Indiana Insurance		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	0
Sexual misconduct and molestation liability	Indiana Insurance		
Each occurrence		1,000,000	0
Aggregate		1,000,000	0
Employers Stop GAP Liability	Indiana Insurance		
Bodily Injury by Accident/ Each Accident Limit		1,000,000	0
Bodily Injury by Disease/ Policy Limit		1,000,000	0
Bodily Injury by Disease/ Each Employee Limit		1,000,000	0
Aggregate Limit		2,000,000	0

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

B. Shared Risk Pool

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of a 42 member council of which 27 are member school Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$969.63 for family coverage and \$399.15 for single coverage per employee per month. The District pays dental premiums of \$125.03 for family coverage and \$50.68 for single coverage per employee per month. The District pays vision premiums of \$26.54 for family coverage and \$10.68 for single coverage.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2007, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were, \$724,131, \$787,797, and \$722,284, respectively; 40.58% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$430,309 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strs.oh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,772,476, \$2,986,962, and \$2,720,218, respectively 82.64% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$481,319 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability. Contributions to the DC and Combined Plans for fiscal year 2007 were \$33,053 made by the District and \$63,006 made by plan members.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 13 - PENSION PLANS - (Continued)

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 Systems/State Teachers Retirement System of Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$213,267 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265.558 million and STRS Ohio had 122,934 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$374,951 to fund health care benefits, including the surcharge.

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 780,838
Net adjustment for revenue accruals	(685,557)
Net adjustment for expenditure accruals	(2,158,835)
Net adjustment for other sources/uses	44,359
Adjustment for encumbrances	<u>774,533</u>
GAAP basis	<u>\$ (1,244,662)</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2007.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (1,451,504)	\$ -
Current year set-aside requirement	882,391	882,391
Qualifying disbursements	<u>(674,632)</u>	<u>(1,432,154)</u>
Total	<u>\$ (1,243,745)</u>	<u>\$ (549,763)</u>
Balance carried forward to FY 2008	<u>\$ (1,243,745)</u>	<u>\$ -</u>

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2007, the District had the following contractual commitments outstanding related to the renovation and addition to Jackson High School. A summary of the primary contractual commitments follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2007</u>
Jackson High School Additions:			
Breckenridge Equipment	\$ 440,945	\$ (407,075)	\$ 33,870
Feinman Mechanical	735,706	(716,852)	18,854
Knoch Corporation	4,661,954	(4,486,521)	175,433
Moser Construction	1,467,688	(1,417,722)	49,966
Schmid Mechanical Inc.	1,226,466	(865,134)	361,332
Wood Electric	2,155,915	(2,120,925)	34,990
Jackson High School Renovations:			
Berbee Information Networks	669,494	(562,117)	107,377
Delta Asphalt	796,000	(79,340)	716,660
Interior Graphic Systems	73,925	(23,065)	50,860
Knoch Construction Co.	9,831,309	(6,361,422)	3,469,887
Protech Security	176,357	(175,022)	1,335
RJ Martin Electrical	629,272	(507,951)	121,321
Schmid Mechanical Inc.	1,019,774	(723,535)	296,239
Smith and Schaefer	578,960	(513,763)	65,197
Standard Plumbing and Heating	3,488,271	(2,628,379)	859,892
The K Company, Inc.	620,142	(389,228)	230,914
Thomarios	654,189	(346,146)	308,043
Wood Electric	3,553,591	(2,526,445)	1,027,146
Architectural/Construction Services:			
Harris Day Architects	2,386,413	(2,376,413)	10,000
Hammond Construction	<u>2,055,327</u>	<u>(1,796,335)</u>	<u>258,992</u>
Total	<u>\$ 37,221,698</u>	<u>\$ (29,023,390)</u>	<u>\$ 8,198,308</u>

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**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049858-C1S1-2006 049858-C1S1-2007	84.010	\$180 139,002		\$14,527 136,646	
Total Title I Grants to Local Educational Agencies			139,182		151,173	
Special Education Cluster: Special Education Grants to States	049858-6BSD-2006 049858-6BSD-2007	84.027	55,939 910,315		69,864 788,686	
Total Special Education Cluster/Special Education Grants to States			966,254		858,550	
Safe and Drug-Free Schools and Communities State Grants	049858-DRS1-2007	84.186	3,674		8,407	
Education Technology State Grants	049858-TJSI-2007	84.318	1,446		1,446	
Innovative Education Program Strategies	049858-C2S1-2006 049858-C2S1-2007	84.298	9,792 3,086		9,725 3,086	
Total Innovative Education Program Strategies			12,878		12,811	
English Language Acquisition Grants	049858-T3S1-2007 049858-T3S2-2007	84.365	5,280 30,646		5,280 23,686	
Total English Language Acquisition Grants			35,926		28,966	
Improving Teacher Quality State Grants	049858-TRS1-2006 049858-TRS1-2007	84.367	6,046 86,891		- 82,321	
Total Improving Teacher Quality State Grants			92,937		82,321	
<i>Passed-Through Plain Local School District</i> Vocational Education Basic Grants to States	N/A - 2006 N/A - 2007	84.048	0 42,795		159 42,795	
Total Passed-Through Plain Local School District/Vocational Education Basic Grants to States			42,795		42,954	
Total U.S. Department of Education			1,295,092		1,186,628	
<u>U.S. Department of Agriculture</u>						
<i>Passed Through the Ohio Department of Education</i>						
Food Donation	N/A	10.550		\$77,337		\$48,240
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	239,901		239,901	
Total U.S. Department of Agriculture			239,901	77,337	239,901	48,240
Totals			\$1,534,993	\$77,337	\$1,426,529	\$48,240

The accompanying notes to this schedule are an integral part of this schedule.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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 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.



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 Local School District
Stark County
7984 Fulton Drive, NW
Massillon, Ohio 44646

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 29, 2008. 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 District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

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 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 District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-001.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above is not a material weakness.

We noted a certain matter that we reported to the District's management in a separate letter dated February 29, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

The District's response to the finding we identified is described in the accompanying Schedule of Findings. We did not audit the 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, 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

February 29, 2008



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 Local School District
Stark County
7984 Fulton Drive, NW
Massillon, Ohio 44646

To the Board of Education:

Compliance

We have audited the compliance of Jackson Local School District, Stark County, Ohio, (the 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 its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The 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 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 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 District's compliance with those requirements.

In our opinion, the Jackson Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the 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 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 District's ability to administer a federal program such that there is more than a remote likelihood that the 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 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, 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

February 29, 2008

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2007-001

Significant Deficiency - Capital Assets

The District could not provide adequate supporting documentation to substantiate capital asset construction in progress (CIP) additions of \$16,712,163 and CIP deletions of \$4,568,471. Therefore, alternative audit procedures had to be performed to substantiate the capital assets CIP year end balance of \$30,053,365.

In order to correct this deficiency, the District should have controls in place to prepare and maintain documentation which supports all capital asset additions, deletion, and year end balances.

A similar comment was made in the District's 2006 management letter.

FINDING NUMBER 2007-001 (Continued)

Officials' Response: A valuation firm has been hired to reassess our fixed assets and their locations. The appropriate staff will be trained on fixed asset depreciation and reporting.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



Mary Taylor, CPA
Auditor of State

JACKSON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2008**