



Dave Yost • Auditor of State

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Jackson Local School District
Stark County
7602 Fulton Drive NW
Massillon, Ohio 44646

To the Board of Education:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2013 and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Awards Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2013, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

November 30, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The management's 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, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities increased \$1,521,301 which represents a 3.53% increase from 2012's restated amount.
- General revenues accounted for \$54,531,782 in revenue or 90.16% of all revenues. Program specific revenues in the form of charges for services and sales and operating and capital grants and contributions accounted for \$5,953,166 or 9.84% of total revenues of \$60,484,948.
- The District had \$58,963,647 in expenses related to governmental activities; \$5,953,166 of these expenses were offset by program specific charges for services and operating/capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and the debt service fund. The general fund had \$48,790,073 in revenues and other financing sources and \$48,217,592 in expenditures and other financing uses. The general fund's fund balance increased \$552,785 from \$14,077,688 to \$14,630,473.
- The debt service fund had \$5,845,691 in revenues and \$7,270,387 in expenditures. The debt service fund's fund balance decreased \$1,424,696 from \$4,299,731 to \$2,875,035.

Using these Basic Financial Statements

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 position* 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 two major funds: the general fund and debt service fund.

Reporting the District as a Whole

Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

These two statements report the District's *net position* and changes in that net position. This change in net position 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 position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 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 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service 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 position 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 19-23 of this report.

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 position and changes in fiduciary net position on pages 24 and 25. 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 27-58 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.

	Net Position	
	Governmental Activities	Restated Governmental Activities
	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current and other assets	\$ 74,965,008	\$ 72,278,866
Capital assets, net	<u>86,369,938</u>	<u>88,464,133</u>
Total assets	<u>161,334,946</u>	<u>160,742,999</u>
<u>Deferred Outflows of Resources</u>		
Deferred outflows of resources	<u>1,731,024</u>	<u>1,945,801</u>
<u>Liabilities</u>		
Current liabilities	7,892,184	5,638,212
Long-term liabilities	<u>64,756,369</u>	<u>69,191,918</u>
Total liabilities	<u>72,648,553</u>	<u>74,830,130</u>
<u>Deferred Inflows of Resources</u>		
Deferred inflows of resources	<u>45,808,991</u>	<u>44,771,545</u>
<u>Net Position</u>		
Net investment in capital assets	30,300,685	28,635,294
Restricted	1,560,578	3,041,722
Unrestricted	<u>12,747,163</u>	<u>11,410,109</u>
Total net position	<u>\$ 44,608,426</u>	<u>\$ 43,087,125</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$44,608,426.

Assets of the District increased \$591,947 or 0.37%. This increase can mainly be attributed to an increase in equity and pooled cash combined with a decrease in capital assets.

At year-end, capital assets represented 53.53% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$30,300,685. 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.

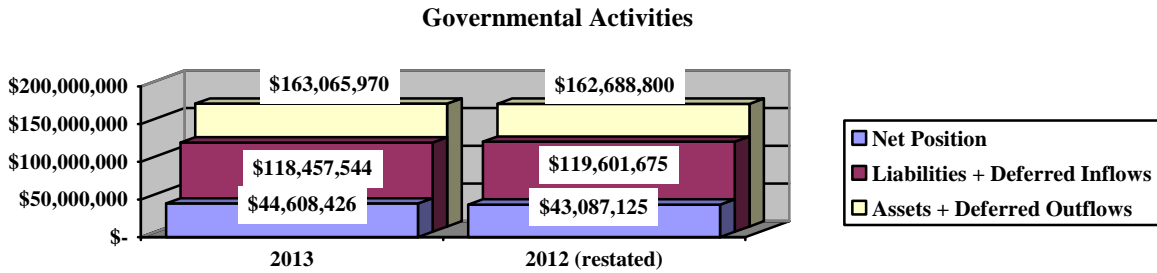
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Liabilities of the District decreased \$2,181,577 or 2.92%. Current liabilities increased due to an increase in accrued wages and benefits payable related to summer insurance premiums. Long-term liabilities decreased due to the retirement of roughly \$4.7 million in general obligation bonds.

A portion of the District's net position, \$1,560,578, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$184,781 is restricted for debt service and \$936,982 is restricted for capital projects. The remaining balance of unrestricted net position is \$12,747,163 may be used to meet the District's ongoing obligations to citizens and creditors.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2013 and June 30, 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2013 and 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.

	Change in Net Position	
	Governmental Activities <u>2013</u>	Restated Governmental Activities <u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,033,727	\$ 2,957,398
Operating grants and contributions	2,919,439	2,880,479
Capital grants and contributions	-	399,972
General revenues:		
Property taxes	41,408,818	41,394,794
Grants and entitlements	12,905,255	13,531,473
Payment in lieu of taxes	100,239	127,695
Investment earnings	710	63,352
Other	<u>116,760</u>	<u>153,702</u>
Total revenues	<u>60,484,948</u>	<u>61,508,865</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2013</u>	<u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 24,390,265	\$ 23,638,767
Special	4,624,226	3,256,333
Vocational	1,169,595	1,010,803
Adult/continuing	52,488	34,674
Other	1,454,960	1,592,279
Support services:		
Pupil	3,643,038	3,657,602
Instructional staff	2,562,273	3,220,097
Board of education	19,858	15,311
Administration	3,024,970	3,173,530
Fiscal	1,205,670	1,223,968
Business	359,454	503,953
Operations and maintenance	4,790,547	5,610,350
Pupil transportation	3,428,164	3,238,047
Central	962,580	1,223,028
Operations of non-instructional services:		
Other non-instructional services	3,604	8,740
Food service operations	2,096,769	1,899,998
Extracurricular activities	2,140,347	2,197,694
Interest and fiscal charges	<u>3,034,839</u>	<u>3,763,804</u>
Total expenses	<u>58,963,647</u>	<u>59,268,978</u>
Change in net position	1,521,301	2,239,887
Net position at beginning of year (restated)	<u>43,087,125</u>	<u>40,847,238</u>
Net position at end of year	<u>\$ 44,608,426</u>	<u>\$ 43,087,125</u>

Governmental Activities

Net position of the District's governmental activities increased \$1,521,301. Total governmental expenses of \$58,963,647 were offset by program revenues of \$5,953,166 and general revenues of \$54,531,782. Program revenues supported 10.10% of the total governmental expenses.

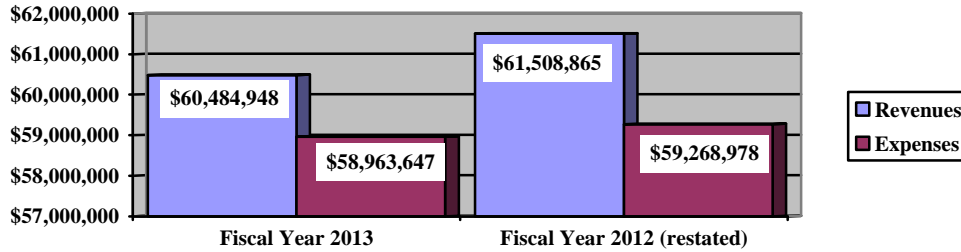
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 89.80% of total governmental revenue. The most significant decreases were in area of grants and entitlements and capital grants and contributions. Grants and entitlements decreased \$626,218 due primarily to a decrease in tangible personal property tax reimbursements. Capital grants and contributions decreased due to a large booster club donation in fiscal year 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

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 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 24,390,265	\$ 23,537,738	\$ 23,638,767	\$ 22,815,200
Special	4,624,226	3,403,029	3,256,333	2,079,866
Vocational	1,169,595	1,094,879	1,010,803	921,496
Adult/continuing	52,488	(2,602)	34,674	(7,354)
Other	1,454,960	1,454,960	1,592,279	1,592,279
Support services:				
Pupil	3,643,038	3,108,625	3,657,602	3,170,413
Instructional staff	2,562,273	2,103,469	3,220,097	2,803,041
Board of education	19,858	19,858	15,311	15,311
Administration	3,024,970	3,021,733	3,173,530	3,172,091
Fiscal	1,205,670	1,205,670	1,223,968	1,223,968
Business	359,454	359,454	503,953	503,953
Operations and maintenance	4,790,547	4,757,943	5,610,350	5,553,914
Pupil transportation	3,428,164	3,294,885	3,238,047	3,112,968
Central	962,580	951,778	1,223,028	1,211,831
Operations of non-instructional services:				
Other non-instructional services	3,604	3,604	8,740	7,971
Food service operations	2,096,769	336,233	1,899,998	117,654
Extracurricular activities	2,140,347	1,324,386	2,197,694	972,723
Interest and fiscal charges	3,034,839	3,034,839	3,763,804	3,763,804
Total	<u>\$ 58,963,647</u>	<u>\$ 53,010,481</u>	<u>\$ 59,268,978</u>	<u>\$ 53,031,129</u>

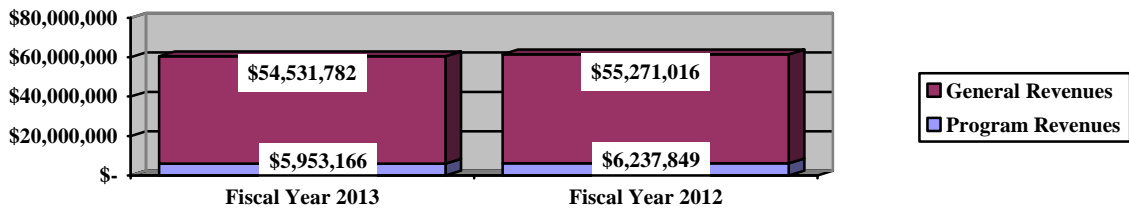
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 93.05% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.90%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$18,861,519, which is lower than last year's total of \$20,045,234. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 14,630,473	\$ 14,077,688	\$ 552,785	3.93 %
Debt Service	2,875,035	4,299,731	(1,424,696)	(33.13) %
Other Governmental	<u>1,356,011</u>	<u>1,667,815</u>	<u>(311,804)</u>	(18.70) %
Total	<u>\$ 18,861,519</u>	<u>\$ 20,045,234</u>	<u>\$ (1,183,715)</u>	(5.91) %

General Fund

During fiscal year 2013, the District's general fund balance increased \$552,785.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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

	<u>2013</u> <u>Amount</u>	<u>2012</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	\$ 35,128,501	\$ 34,785,479	\$ 343,022	0.99 %
Tuition	615,040	500,813	114,227	22.81 %
Earnings on investments	5,137	83,865	(78,728)	(93.87) %
Intergovernmental	11,966,331	12,631,095	(664,764)	(5.26) %
Other revenues	1,052,195	1,024,879	27,316	2.67 %
Sale of capital assets	<u>22,869</u>	<u>19,435</u>	<u>3,434</u>	17.67 %
Total	<u>\$ 48,790,073</u>	<u>\$ 49,045,566</u>	<u>\$ (255,493)</u>	(0.52) %
<u>Expenditures and</u>				
<u>Other financing uses</u>				
Instruction	\$ 28,393,891	\$ 26,245,585	\$ 2,148,306	8.19 %
Support services	18,261,672	19,445,293	(1,183,621)	(6.09) %
Extracurricular activities	1,356,734	1,380,509	(23,775)	(1.72) %
Non-instructional services	3,604	7,981	(4,377)	(54.84) %
Facilities acquisition and construction	190,276	1,939,843	(1,749,567)	(90.19) %
Debt service	-	30,996	(30,996)	(100.00) %
Transfers out	<u>11,415</u>	<u>-</u>	<u>11,415</u>	100.00 %
Total	<u>\$ 48,217,592</u>	<u>\$ 49,050,207</u>	<u>\$ (832,615)</u>	(1.70) %

Overall revenues and other financing sources of the general fund decreased \$255,493 or 0.52%. The most significant decreases were in the areas of intergovernmental revenue and earnings on investments. Intergovernmental revenue decreased \$664,764 or 5.26% which is the result of a decrease in tangible personal property tax reimbursement received from the State. Earnings on investments decreased due to a decrease in interest rates and a decrease in fair market value of investments. The most significant increase was in the area of taxes. Taxes increased due to better tax collections.

Expenditures and other financing uses decreased \$832,615 or 1.70%. Instructional increased due to increase in wages and benefits of employees. Support services decreased due to spending cuts in the areas of instruction staff, administration and operations and maintenance. Facilities acquisition and construction decreased due to less money spent on a HB 264 project to help the District's building become more energy efficient. The savings in energy costs over the long term will pay for the project's costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Debt Service Fund

During fiscal year 2013, the District's debt service fund balance decreased \$1,424,696 due to scheduled principal and interest payments on the District's bonds exceeding tax collections.

The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 4,931,580	\$ 5,380,562	\$ (448,982)	(8.34) %
Intergovernmental	902,017	969,213	(67,196)	(6.93) %
Payment in lieu of taxes	12,094	14,517	(2,423)	(16.69) %
Earnings on investments	-	23	(23)	100.00 %
Total	<u>\$ 5,845,691</u>	<u>\$ 6,364,315</u>	<u>\$ (518,624)</u>	(8.15) %
<u>Expenditures</u>				
Fiscal	\$ 92,358	\$ 96,817	\$ (4,459)	(4.61) %
Debt Service:				
Principal	4,755,000	4,600,000	155,000	3.37 %
Interest and fiscal charges	<u>2,423,029</u>	<u>2,532,629</u>	<u>(109,600)</u>	(4.33) %
Total	<u>\$ 7,270,387</u>	<u>\$ 7,229,446</u>	<u>\$ 40,941</u>	0.57 %

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 2013, the District did not amend its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$49,738,702. Actual revenue and other financing sources of \$50,003,840 were \$265,138 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$46,504,398 were \$1,647,417 lower than original and final appropriations (appropriated expenditures plus other financing uses) of \$48,151,815.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$86,369,938 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table that follows shows June 30, 2013 balances compared to June 30, 2012:

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

	Governmental Activities	
	2013	2012
Land	\$ 2,457,911	\$ 2,457,911
Land improvements	3,679,878	3,858,500
Buildings and improvements	76,321,438	78,665,498
Furniture and equipment	866,713	969,241
Vehicles	1,021,656	853,611
Construction in progress	2,022,342	1,659,372
Total	\$ 86,369,938	\$ 88,464,133

The overall decrease of \$2,094,195 is the result of depreciation expense of \$3,442,456 exceeding capital asset additions of \$1,348,261.

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

Debt Administration

At June 30, 2013 the District had \$57,393,904 in general obligation bonds outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$3,510,000 is due within one year and \$53,883,904 is due within greater than one year.

The table below summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2013	2012
Current interest bonds - 2007	\$ 37,680,000	\$ 38,080,000
Capital appreciation bonds - 2007	3,908,904	3,235,779
Current interest bonds - 2005A	10,000	1,465,000
Current interest bonds - 2005B	14,590,000	14,590,000
Capital appreciation bonds - 2005B	-	1,649,088
Current interest bonds - 2004	1,205,000	2,365,000
Total	\$ 57,393,904	\$ 61,384,867

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

At June 30, 2013, the District's overall legal debt margin was \$51,776,904 with an unvoted debt margin of \$1,150,965.

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

Current Financial Related Activities

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. The District continues to be concerned with maintaining adequate revenue while controlling costs.

Overall, the District continues to academically perform at a high level as determined by the State of Ohio. Our most recent State report card shows the District achieving a score of 24 out of 24 with respect to the State's defined set of Indicators Met. Indicators Met measures how many students have passed the State tests at a minimum level, called proficient, or higher.

The Jackson Local School District continues to receive strong support from the residents of the School District which is evident by their support of local levies. In May 2011, the property taxpayers renewed the districts 6.4 mill, 5 year, emergency levy that generates \$8,350,000 annually for operating expenditures as a Substitute Levy. The Substitute Levy will allow the District to potentially receive additional tax revenue over the 5 years of the levy from new construction that occurs within the school district boundaries. The District also receives additional tax revenue from a 4.9 mill, 5 year, emergency levy, passed in February 2009, which generates \$6,150,000 annually for operating expenditures.

It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years. The District will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan.

The financial picture of the District looks stable over the next 5 years. However, the uncertainty of school funding from the State remains a concern for the District. Also, in the next few years, Ohio's schools will face major changes in the curriculum standards; the new teacher evaluation system and the future of assessments; state report cards; and measures such as the Performance Index. The financial impact of these changes is unknown at this time. The District is monitoring all funding scenarios and prudently providing the necessary resources to maintain our current level of Excellence in both curricular and extra-curricular programs.

In summary, the District has and must continue to implement systems for both budgetary and internal control purposes in order to efficiently allocate and deliver available financial resources. The District provides a quality educational program with limited availability of state financial assistance. All of the District's resources will continue to be focused on meeting the needs of our stakeholders in this competitive marketplace, which is not only local, but world-wide.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

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, 7602 Fulton Drive NW, Massillon, Ohio 44646.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 26,106,571
Receivables:	
Property taxes	48,031,680
Payment in lieu of taxes	100,239
Accounts	27,635
Accrued interest	896
Intergovernmental	476,421
Prepayments	68,819
Materials and supplies inventory	152,747
Capital assets:	
Nondepreciable capital assets	4,480,253
Depreciable capital assets, net	81,889,685
Capital assets, net	86,369,938
Total assets	161,334,946
 Deferred outflows of resources:	
Deferred charges on debt refunding	1,731,024
Total deferred outflows of resources	1,731,024
 Liabilities:	
Accounts payable	182,598
Contracts payable	167,553
Accrued wages and benefits payable	5,920,020
Pension obligation payable	1,042,433
Intergovernmental payable	390,101
Unearned revenue	6,362
Accrued interest payable	183,117
Long-term liabilities:	
Due within one year	4,202,546
Due in more than one year	60,553,823
Total liabilities	72,648,553
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	45,708,752
PILOTs levied for the next fiscal year	100,239
Total deferred inflows of resources	45,808,991
 Net position:	
Net investment in capital assets	30,300,685
Restricted for:	
Capital projects	936,982
Debt service	184,781
Locally funded programs	37,344
Student activities	355,994
Other purposes	45,477
Unrestricted	12,747,163
Total net position	\$ 44,608,426

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, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 24,390,265	\$ 626,224	\$ 226,303	\$ (23,537,738)
Special	4,624,226	261,153	960,044	(3,403,029)
Vocational	1,169,595	43,735	30,981	(1,094,879)
Adult/continuing.	52,488	55,090	-	2,602
Other	1,454,960	-	-	(1,454,960)
Support services:				
Pupil.	3,643,038	86,707	447,706	(3,108,625)
Instructional staff	2,562,273	7,216	451,588	(2,103,469)
Board of education	19,858	-	-	(19,858)
Administration.	3,024,970	1,117	2,120	(3,021,733)
Fiscal.	1,205,670	-	-	(1,205,670)
Business.	359,454	-	-	(359,454)
Operations and maintenance	4,790,547	28,389	4,215	(4,757,943)
Pupil transportation.	3,428,164	9,582	123,697	(3,294,885)
Central	962,580	-	10,802	(951,778)
Operation of non-instructional services:				
Other non-instructional services	3,604	-	-	(3,604)
Food service operations	2,096,769	1,228,022	532,514	(336,233)
Extracurricular activities.	2,140,347	686,492	129,469	(1,324,386)
Interest and fiscal charges	3,034,839	-	-	(3,034,839)
Total governmental activities	\$ 58,963,647	\$ 3,033,727	\$ 2,919,439	(53,010,481)

General revenues:

Property taxes levied for:	
General purposes	35,418,296
Debt service.	4,952,704
Capital projects.	1,037,818
Payments in lieu of taxes.	100,239
Grants and entitlements not restricted	
to specific programs	12,905,255
Investment earnings	710
Miscellaneous	116,760
Total general revenues	54,531,782
Change in net position	1,521,301
Net position at beginning of year (restated)	43,087,125
Net position at end of year.	\$ 44,608,426

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 21,400,754	\$ 2,822,343	\$ 1,883,474	\$ 26,106,571
Receivables:				
Property taxes.	42,235,362	4,768,991	1,027,327	48,031,680
Payment in lieu of taxes	85,634	12,094	2,511	100,239
Accounts	23,011	-	4,624	27,635
Accrued interest	896	-	-	896
Interfund loans	58,426	-	-	58,426
Intergovernmental.	336,566	-	139,855	476,421
Prepayments.	68,819	-	-	68,819
Materials and supplies inventory.	136,793	-	15,954	152,747
Total assets	<u>\$ 64,346,261</u>	<u>\$ 7,603,428</u>	<u>\$ 3,073,745</u>	<u>\$ 75,023,434</u>
Liabilities:				
Accounts payable	\$ 116,092	\$ -	\$ 66,506	\$ 182,598
Contracts payable.	-	-	167,553	167,553
Accrued wages and benefits payable	5,608,809	-	311,211	5,920,020
Compensated absences payable	416,558	-	2,075	418,633
Early retirement incentive payable	100,000	-	-	100,000
Interfund loans payable.	-	-	58,426	58,426
Intergovernmental payable	378,677	-	11,424	390,101
Unearned revenue.	-	-	6,362	6,362
Pension obligation payable	971,081	-	71,352	1,042,433
Total liabilities.	<u>7,591,217</u>	<u>-</u>	<u>694,909</u>	<u>8,286,126</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	40,222,721	4,514,505	971,526	45,708,752
Delinquent property tax revenue not available.	1,613,542	201,794	44,092	1,859,428
Accrued interest not available.	896	-	-	896
Other nonexchange transactions not available.	96,809	-	4,696	101,505
Miscellaneous revenue not available.	104,969	-	-	104,969
PILOTs levied for the next fiscal year	85,634	12,094	2,511	100,239
Total deferred inflows of resources	<u>42,124,571</u>	<u>4,728,393</u>	<u>1,022,825</u>	<u>47,875,789</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	136,793	-	15,954	152,747
Prepays.	68,819	-	-	68,819
Unclaimed monies	17,829	-	-	17,829
Restricted:				
Debt service	-	2,875,035	-	2,875,035
Capital improvements	-	-	892,890	892,890
Food service operations	-	-	85,482	85,482
Other purposes.	-	-	37,344	37,344
Extracurricular activities	-	-	355,994	355,994
Committed:				
Facilities acquisition and construction	100,000	-	-	100,000
Underground storage tanks	11,000	-	-	11,000
Assigned:				
Student instruction	17,190	-	-	17,190
Student and staff support.	541,346	-	-	541,346
Extracurricular activities	997	-	-	997
Adult education	56,661	-	-	56,661
Other purposes.	71,090	-	-	71,090
Unassigned (deficit).	13,608,748	-	(31,653)	13,577,095
Total fund balances	<u>14,630,473</u>	<u>2,875,035</u>	<u>1,356,011</u>	<u>18,861,519</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 64,346,261</u>	<u>\$ 7,603,428</u>	<u>\$ 3,073,745</u>	<u>\$ 75,023,434</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	18,861,519
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			86,369,938
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,859,428	
Accrued interest receivable		896	
Intergovernmental receivable		206,474	
Total		206,474	2,066,798
Unamortized premiums on bonds issued are not recognized in the funds.			(2,947,751)
Deferred charges on refundings are not recognized in the funds.			1,731,024
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(183,117)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(57,393,904)	
Compensated absences		(3,896,081)	
Total		(61,289,985)	(61,289,985)
Net position of governmental activities		\$	44,608,426

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, 2013

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 35,042,867	\$ 4,931,580	\$ 1,029,150	\$ 41,003,597
Payment in lieu of taxes	85,634	12,094	2,511	100,239
Tuition	615,040	-	-	615,040
Transportation fees	9,582	-	-	9,582
Earnings on investments	5,137	-	-	5,137
Charges for services	-	-	1,237,741	1,237,741
Extracurricular	289,594	-	513,487	803,081
Classroom materials and fees	214,417	-	17,402	231,819
Rental income	18,670	-	-	18,670
Contributions and donations	179,765	-	70,686	250,451
Contract services	117,794	-	-	117,794
Other local revenues	222,373	-	33,500	255,873
Intergovernmental - intermediate	30,116	-	-	30,116
Intergovernmental - state	11,848,698	902,017	197,180	12,947,895
Intergovernmental - federal	87,517	-	2,319,969	2,407,486
Total revenues	48,767,204	5,845,691	5,421,626	60,034,521
Expenditures:				
Current:				
Instruction:				
Regular	22,370,801	-	135,912	22,506,713
Special	3,528,769	-	970,946	4,499,715
Vocational	979,005	-	-	979,005
Adult/continuing	52,488	-	-	52,488
Other	1,462,828	-	-	1,462,828
Support services:				
Pupil	3,309,023	-	287,801	3,596,824
Instructional staff	2,049,633	-	439,253	2,488,886
Board of education	20,443	-	-	20,443
Administration	2,949,718	-	-	2,949,718
Fiscal	1,078,553	92,358	19,319	1,190,230
Business	383,096	-	-	383,096
Operations and maintenance	4,567,698	-	40,346	4,608,044
Pupil transportation	2,950,818	-	331,606	3,282,424
Central	952,690	-	10,802	963,492
Operation of non-instructional services:				
Other non-instructional services	3,604	-	-	3,604
Food service operations	-	-	1,877,456	1,877,456
Extracurricular activities	1,356,734	-	565,323	1,922,057
Facilities acquisition and construction	190,276	-	1,063,848	1,254,124
Debt service:				
Principal retirement	-	4,755,000	-	4,755,000
Interest and fiscal charges	-	2,423,029	-	2,423,029
Total expenditures	48,206,177	7,270,387	5,742,612	61,219,176
Excess (deficiency) of revenues over (under) expenditures	561,027	(1,424,696)	(320,986)	(1,184,655)
Other financing sources (uses):				
Sale/loss of assets	22,869	-	-	22,869
Transfers in	-	-	11,415	11,415
Transfers (out)	(11,415)	-	-	(11,415)
Total other financing sources (uses)	11,454	-	11,415	22,869
Net change in fund balances	572,481	(1,424,696)	(309,571)	(1,161,786)
Fund balances at beginning of year	14,077,688	4,299,731	1,667,815	20,045,234
Decrease in reserve for inventory	(19,696)	-	(2,233)	(21,929)
Fund balances at end of year	\$ 14,630,473	\$ 2,875,035	\$ 1,356,011	\$ 18,861,519

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, 2013

Net change in fund balances - total governmental funds	\$	(1,161,786)
<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.		
Capital asset additions	\$ 1,348,261	
Current year depreciation	(3,442,456)	
Total		(2,094,195)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(21,929)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	405,221	
Earnings on investments	(4,427)	
Intergovernmental	154,602	
Total		555,396
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		4,755,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	8,872	
Accreted interest on capital appreciation bonds	(764,037)	
Amortization of bond premiums	358,132	
Amortization of deferred charges on refunding	(214,777)	
Total		(611,810)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		100,625
Change in net position of governmental activities	\$	1,521,301

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 36,900,000	\$ 36,900,000	\$ 36,603,833	\$ (296,167)
Payment in lieu of taxes.	85,634	85,634	85,634	-
Tuition.	372,000	372,000	559,950	187,950
Transportation fees.	8,600	8,600	9,582	982
Earnings on investments	95,000	95,000	70,201	(24,799)
Extracurricular.	147,850	147,850	139,134	(8,716)
Classroom materials and fees	137,550	137,550	146,341	8,791
Rental income	27,000	27,000	18,695	(8,305)
Contributions and donations	4,500	4,500	1,287	(3,213)
Contract services.	65,000	65,000	64,869	(131)
Other local revenues	132,866	132,866	85,486	(47,380)
Intergovernmental - intermediate	31,950	31,950	63,716	31,766
Intergovernmental - state	11,556,752	11,556,752	11,848,698	291,946
Intergovernmental - federal	134,000	134,000	93,298	(40,702)
Total revenues	<u>49,698,702</u>	<u>49,698,702</u>	<u>49,790,724</u>	<u>92,022</u>
Expenditures:				
Current:				
Instruction:				
Regular	21,436,619	21,546,843	20,954,926	591,917
Special.	3,327,107	3,412,727	3,190,133	222,594
Vocational.	871,305	871,305	829,951	41,354
Other.	1,531,143	1,531,143	1,484,560	46,583
Support services:				
Pupil.	3,182,571	3,276,601	3,216,174	60,427
Instructional staff	2,191,329	2,253,980	2,189,019	64,961
Board of education	20,069	20,069	18,322	1,747
Administration.	3,028,536	3,027,686	2,893,736	133,950
Fiscal	1,092,389	1,108,889	1,059,412	49,477
Business	414,977	414,977	379,813	35,164
Operations and maintenance.	4,808,942	4,828,242	4,607,708	220,534
Pupil transportation	3,082,777	3,052,777	2,982,805	69,972
Central.	1,013,316	1,008,616	950,470	58,146
Other operation of non-instructional services	8,800	8,800	3,604	5,196
Extracurricular activities.	1,330,377	1,329,923	1,302,208	27,715
Facilities acquisition and construction	736,217	295,717	290,276	5,441
Total expenditures	<u>48,076,474</u>	<u>47,988,295</u>	<u>46,353,117</u>	<u>1,635,178</u>
Excess of revenues over expenditures.	<u>1,622,228</u>	<u>1,710,407</u>	<u>3,437,607</u>	<u>1,727,200</u>
Other financing sources (uses):				
Refund of prior year's expenditures	25,000	25,000	101,421	76,421
Refund of prior year's receipts.	(375)	(2,354)	(2,354)	-
Transfers (out).	(11,000)	(23,000)	(22,415)	585
Advances in.	-	-	88,756	88,756
Advances (out)	(2,250)	(58,450)	(58,426)	24
Other uses.	(61,716)	(79,716)	(68,086)	11,630
Sale of capital assets	15,000	15,000	22,939	7,939
Total other financing sources (uses)	<u>(35,341)</u>	<u>(123,520)</u>	<u>61,835</u>	<u>185,355</u>
Net change in fund balance	1,586,887	1,586,887	3,499,442	1,912,555
Fund balance at beginning of year	16,179,886	16,179,886	16,179,886	-
Prior year encumbrances appropriated	758,973	758,973	758,973	-
Fund balance at end of year	<u>\$ 18,525,746</u>	<u>\$ 18,525,746</u>	<u>\$ 20,438,301</u>	<u>\$ 1,912,555</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 36,009	\$ 149,083
Receivables:		
Accounts	-	811
Total assets.	36,009	\$ 149,894
Liabilities:		
Accounts payable.	-	\$ 2
Due to students.	-	149,892
Total liabilities	-	\$ 149,894
Net position:		
Held in trust for scholarships	36,009	
Total net position.	\$ 36,009	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private-Purpose Trust
	Scholarship
Additions:	
Gifts and contributions.	\$ 15,820
Total additions.	15,820
 Deductions:	
Scholarships awarded	20,778
Change in net position	(4,958)
 Net position at beginning of year.	40,967
Net position at end of year	\$ 36,009

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, 2013

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 51st largest by total enrollment among the 918 public and community school districts in the State and 3rd largest in Stark County. The District employs 277 non-certified and 359 certified employees to provide services to 6,000 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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following organizations are described due to their relationship to the District:

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 an 85 member council of which 66 are member school districts.

Ohio Association of School Business Officials Workers' Compensation Group Retrospective Program

The District participates in a group retrospective plan for workers' compensation and unemployment as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Retrospective Rating Program (the "GRP") was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the GRP. Each year, the participating school district pays an enrollment fee to the GRP to cover the costs of administering the program.

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, 2013

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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

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

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.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 position 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, 2013

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

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

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, current deferred outflows of resources, current liabilities and current deferred inflows of resources 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 Nonexchange 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, 2013

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.

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement 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 alternate 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 fund 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 fund 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, 2013

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 Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, 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 investments" 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, 2013

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposits, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2013. 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 shares price which is the price the investment could be sold for on June 30, 2013.

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 2013 amounted to \$5,137, which includes \$1,213 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded 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 nonspendable fund balance 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 position, 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, 2013

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	15 - 20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 20 years

I. Bond Issuance Costs/Unamortized Bond Premium and Discount/Deferred Charges on Debt Refunding

On government-wide and fund financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. 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 a deferred outflow of resources on the statement of net position.

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 position is presented in Note 9.A.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds” and “interfund loans receivable/payable”. These amounts are eliminated in government activities column on the statement of net position.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave 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, 2013

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. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2013, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2013 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, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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, 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

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 nonspendable 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 2013, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District’s financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 43,594,964
Removal of unamortized bond issuance costs	(507,839)
Net position at July 1, 2012	\$ 43,087,125

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 7,901
Title VII-B IDEA	17,959
Vocational education	119
Title I	5,433
Title II-A	241

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 resulted 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or 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 \$2,579 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$21,819,369. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$6,662,645 of the District's bank balance of \$22,189,458 was exposed to custodial risk as discussed below, while \$15,526,813 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C Investments

As of June 30, 2013 the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities	
		6 months or less	Greater Than 24 months
FNMA	\$ 970,820	\$ -	\$ 970,820
FHLB	975,820	-	975,820
STAR Ohio	78,075	78,075	-
Repurchase agreement	<u>2,445,000</u>	<u>2,445,000</u>	<u>-</u>
Total	<u>\$ 4,469,715</u>	<u>\$ 2,523,075</u>	<u>\$ 1,946,640</u>

The weighted average of maturity of investments is 2.04 years.

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 in federal agency securities and federal agencies securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating standard service rating. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 and the securities that underlie the repurchase agreement 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. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 970,820	21.72
FHLB	975,820	21.83
STAR Ohio	78,075	1.75
Repurchase agreement	<u>2,445,000</u>	<u>54.70</u>
Total	<u>\$ 4,469,715</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 21,819,369
Investments	4,469,715
Cash on hand	<u>2,579</u>
Total	<u>\$ 26,291,663</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 26,106,571
Private-purpose trust funds	36,009
Agency funds	<u>149,083</u>
Total	<u>\$ 26,291,663</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2013 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 fund	Nonmajor governmental funds	<u>\$ 58,426</u>

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the statement of net position.

- B.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ <u>11,415</u>
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Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Stark and Summit Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$399,099 in the general fund, \$52,692 in the debt service fund and \$11,709 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,960,065 in the general fund, \$309,899 in the debt service fund and \$60,659 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 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 deferred inflows.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,215,773,690	97.09	\$ 1,112,951,330	96.70
Public utility personal	<u>36,491,470</u>	<u>2.91</u>	<u>38,013,580</u>	<u>3.30</u>
Total	<u>\$ 1,252,265,160</u>	<u>100.00</u>	<u>\$ 1,150,964,910</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	46.60		47.90	
Permanent improvement	1.00		1.00	
Bond	5.10		4.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 consisted of taxes, payment in lieu 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 position follows:

Governmental activities:

Property taxes	\$ 48,031,680
Payment in lieu of taxes	100,239
Accounts	27,635
Accrued interest	896
Intergovernmental	<u>476,421</u>
Total	<u>\$ 48,636,871</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - CAPITAL ASSETS

	Balance June 30, 2012	Additions	Disposals	Balance June 30, 2013
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,457,911	\$ -	\$ -	\$ 2,457,911
Construction in progress	<u>1,659,372</u>	<u>362,970</u>	<u>-</u>	<u>2,022,342</u>
Total capital assets, not being depreciated	<u>4,117,283</u>	<u>362,970</u>	<u>-</u>	<u>4,480,253</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	7,772,442	225,956	-	7,998,398
Building and improvements	108,654,971	322,016	-	108,976,987
Furniture and equipment	3,982,279	83,105	(244,618)	3,820,766
Vehicles	<u>5,184,828</u>	<u>354,214</u>	<u>(273,645)</u>	<u>5,265,397</u>
Total capital assets, being depreciated	<u>125,594,520</u>	<u>985,291</u>	<u>(518,263)</u>	<u>126,061,548</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,913,942)	(404,578)	-	(4,318,520)
Building and improvements	(29,989,473)	(2,666,076)	-	(32,655,549)
Furniture and equipment	(3,013,038)	(185,633)	244,618	(2,954,053)
Vehicles	<u>(4,331,217)</u>	<u>(186,169)</u>	<u>273,645</u>	<u>(4,243,741)</u>
Total accumulated depreciation	<u>(41,247,670)</u>	<u>(3,442,456)</u>	<u>518,263</u>	<u>(44,171,863)</u>
Governmental activities capital assets, net	<u>\$ 88,464,133</u>	<u>\$ (2,094,195)</u>	<u>\$ -</u>	<u>\$ 86,369,938</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,977,342
Special	89,261
Vocational	183,275

Support services:

Pupil	53,750
Instructional staff	119,731
Administration	62,475
Fiscal	23,672
Operations and maintenance	273,992
Pupil transportation	195,237
Central	20,645
Extracurricular activities	229,287
Food service operations	<u>213,789</u>
Total depreciation expense	<u>\$ 3,442,456</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2013, the following activity occurred in governmental activities long-term obligations:

	Balance June 30, 2012	Increase	Decrease	Balance June 30, 2013	Amount Due in One Year
General obligation bonds	\$ 61,384,867	\$ 764,037	\$ (4,755,000)	\$ 57,393,904	\$ 3,510,000
Retirement incentive	50,000	100,000	(50,000)	100,000	100,000
Compensated absences	4,451,168	485,923	(622,377)	4,314,714	592,546
Total	\$ 65,886,035	\$ 1,349,960	\$ (5,427,377)	61,808,618	\$ 4,202,546
Add: unamortized premium				2,947,751	
Total on statement of net position				\$ 64,756,369	

General Obligation Bonds: See Note 9.B-9.F for more details.

Compensated Absences: The District pays compensated absences primarily from the general fund and food service fund (a nonmajor governmental fund).

- B. Series 2004 General Obligation Bonds: 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 Position. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the debt service fund.

This issue is comprised of current interest bonds, par value \$47,225,000. The interest rate on the current interest bonds range from 2.00% to 5.00%.

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 year 2013 on the Series 2004 general obligations:

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Current interest bonds - Series 2004	\$ 2,365,000	\$ -	\$(1,160,000)	\$ 1,205,000

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

	Current Interest Bonds		
Fiscal Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,205,000	\$ 24,100	\$ 1,229,100
Total	\$ 1,205,000	\$ 24,100	\$ 1,229,100

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

- C. *Series 2005 A Refunding Bonds:* 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 position.

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 remaining capital appreciation bonds matured December 1, 2010 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

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

The following is a schedule of activity for fiscal year 2013 on the Series 2005A refunding bonds:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>
Current interest bonds -				
Series 2005 A refunding bonds	\$ 1,465,000	\$ -	\$ (1,455,000)	\$ 10,000

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

Fiscal	Current Interest Bonds		
Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30,</u>			
2014	\$ 10,000	\$ 188	\$ 10,188
Total	<u>\$ 10,000</u>	<u>\$ 188</u>	<u>\$ 10,188</u>

- D. *Series 2005 B Refunding Bonds:* 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 Position.

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. Part of the capital appreciation bonds matured December 1, 2011 (stated interest rate 10.994%) and matured December 1, 2012 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. There were no capital appreciation bonds related to this issue outstanding at June 30, 2013.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated in the issue is December 1, 2019.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2013 on the Series 2005B refunding bonds:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Current interest bonds -				
Series 2005 B refunding bonds	\$ 14,590,000	\$ -	\$ -	\$ 14,590,000
Capital appreciation bonds -				
Series 2005 B refunding bonds	768,784	-	(768,784)	-
Capital appreciation bonds -				
Accreted interest	<u>880,304</u>	<u>90,912</u>	<u>(971,216)</u>	<u>-</u>
Total G.O. bonds	<u>\$ 16,239,088</u>	<u>\$ 90,912</u>	<u>\$ (1,740,000)</u>	<u>\$ 14,590,000</u>

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

Fiscal Year Ending	Current Interest Bonds		
June 30,	Principal	Interest	Total
2014	\$ 1,880,000	\$ 682,500	\$ 2,562,500
2015	2,005,000	585,375	2,590,375
2016	2,140,000	481,750	2,621,750
2017	2,245,000	372,125	2,617,125
2018	2,360,000	257,000	2,617,000
2019 - 2020	<u>3,960,000</u>	<u>173,250</u>	<u>4,133,250</u>
Total	<u>\$ 14,590,000</u>	<u>\$ 2,552,000</u>	<u>\$ 17,142,000</u>

- E. Series 2007 Refunding Bonds:** 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 position.

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 (effective interest rate 19.043%), December 1, 2015 (effective interest rate 19.048%), December 1, 2016 (stated interest rate 19.052%) and December 1, 2017 (stated interest rate 19.055%) 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 \$2,708,931 has been included on the statement of net position. 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.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2013 on the Series 2007 refunding bonds:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>
Current interest bonds -				
Series 2007 refunding bonds	\$ 38,080,000	\$ -	\$ (400,000)	\$ 37,680,000
Capital appreciation bonds -				
Series 2007 refunding bonds	1,199,973	-	-	1,199,973
Capital appreciation bonds -				
Accreted interest	<u>2,035,806</u>	<u>673,125</u>	<u>-</u>	<u>2,708,931</u>
Total G.O. bonds	<u>\$ 41,315,779</u>	<u>\$ 673,125</u>	<u>\$ (400,000)</u>	<u>\$ 41,588,904</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.

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 415,000	\$ 1,579,992	\$ 1,994,992	\$ -	\$ -	\$ -
2015	-	1,571,692	1,571,692	389,757	1,295,243	1,685,000
2016	-	1,571,692	1,571,692	322,509	1,362,491	1,685,000
2017	-	1,571,692	1,571,692	266,871	1,418,129	1,685,000
2018	-	1,571,692	1,571,692	220,836	1,464,164	1,685,000
2019 - 2023	9,125,000	6,970,531	16,095,531	-	-	-
2024 - 2028	11,205,000	4,838,025	16,043,025	-	-	-
2029 - 2033	13,810,000	2,248,996	16,058,996	-	-	-
2034	<u>3,125,000</u>	<u>132,813</u>	<u>3,257,813</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 37,680,000</u>	<u>\$ 22,057,125</u>	<u>\$ 59,737,125</u>	<u>\$ 1,199,973</u>	<u>\$ 5,540,027</u>	<u>\$ 6,740,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$51,776,904 (including available funds of \$2,875,035) and an unvoted debt margin of \$1,150,965.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified 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 are employed to work no more than 226 days per year. Teachers, administrators and non-certified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 350 days for both non-certified and certified employees. Upon retirement, non-certified 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, non-certified 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 72 days for certified employees and 72 days for classified employees. In addition, certified and classified employees shall be paid \$10 per day for every day of sick leave accumulated from 200 to 300 days and \$20 per day from 301 days up to a maximum of 350 days.

B. Retirement Incentive

A one-time retirement bonus in the amount of \$25,000 will be available to certified employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. If the member fails to take the incentive when first eligible, he/she forfeits the incentive. During fiscal year 2013, four employees took advantage of this incentive.

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 11 - 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, 2012 through September 1, 2013. 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:	Ohio Casualty		
Each Occurrence		\$1,000,000	\$ 0
General Aggregate		2,000,000	
Products/Complete Operations Aggregate		2,000,000	0
Building and Contents Replacement Cost	Ohio Casualty	182,978,422	5,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Fleet:	Ohio Casualty		
Auto Liability		1,000,000	0
Uninsured Motorist		50,000	0
Comprehensive			250
Collision			500
Umbrella Liability - Each Occurrence	Ohio Casualty	6,000,000	
General Aggregate		6,000,000	10,000
Product/Completed Ops Aggregate		6,000,000	Retention
Employee Benefits Liability	Ohio Casualty		
Each Employee		1,000,000	1,000
Aggregate		3,000,000	
School Leaders Errors and Omissions Liability	Ohio Casualty		
Each Wrongful Act		1,000,000	2,500
Aggregate		1,000,000	
School Law Enforcement Liability	Ohio Casualty		
Each Wrongful Act		1,000,000	2,500
Aggregate		1,000,000	0
Sexual Misconduct and Molestation Liability	Ohio Casualty		
Each Loss Limit		1,000,000	0
Aggregate		1,000,000	0
Employers Stop GAP Liability	Ohio Casualty		
Bodily Injury by Accident/ Each Accident Limit		1,000,000	0
Bodily Injury by Disease/ Policy Limit		1,000,000	
Bodily Injury by Disease/ Each Employee Limit		1,000,000	
Aggregate Limit		2,000,000	

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - RISK MANAGEMENT - (Continued)

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 85 member council of which 66 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 \$1,375.82 for family coverage and \$566.36 for single coverage per employee per month. The District pays dental premiums of \$177.40 for family coverage and \$71.91 for single coverage per employee per month

C. Workers' Compensation

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Retrospective Program (the "GRP), a public entity risk 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."Participants of the GRP are place in tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participants in the GRP are limited to school districts that can meet the GRP's selection criteria. CompManagement provides administrative, cost control and actuarial service to the GRP.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$951,957, \$1,001,411 and \$884,240, respectively; 72.39 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,738,012, \$2,977,463 and \$2,828,903, respectively; 82.36 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$130,800 made by the District and \$93,428 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$128,208, \$154,384 and \$215,660, respectively; 72.39 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$53,775, \$59,138 and \$56,903, respectively; 72.39 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$210,616, \$229,036 and \$217,608, respectively; 82.36 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 14 - 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ 3,499,442
Net adjustment for revenue accruals	(1,674,171)
Net adjustment for expenditure accruals	(1,880,015)
Net adjustment for other sources/uses	(50,881)
Funds budgeted elsewhere	112,785
Adjustment for encumbrances	565,321
GAAP basis	\$ 572,481

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, uniform school supplies fund, rotary fund, adult education fund, the public school support fund and the underground storage tank fund.

NOTE 15 - 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.

B. Litigation

The District is not party to legal proceedings at June 30, 2013.

NOTE 16 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be 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, 2013

NOTE 16 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	980,863
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,254,769)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (273,906)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

NOTE 17 - CONTRACTUAL COMMITMENTS

As of June 30, 2013, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2013</u>
Tremco	\$ 385,850	\$ -	\$ 385,850
Protech Security	<u>29,626</u>	<u>-</u>	<u>29,626</u>
Total	<u><u>\$ 415,476</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 415,476</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 18 - OTHER COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 426,369
Other governmental	<u>410,014</u>
Total	<u>\$ 836,383</u>

NOTE 19 - SUBSEQUENT EVENT

On July 11, 2013, the District issued \$10,705,000 to partially refund the Series 2005B Refunding Bonds. The bonds carry an interest rate of 4.18% and have a final maturity of December 1, 2019.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Program / Cluster Title						
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	049858-3L70-2011	10.553	\$25,061		\$25,061	
National School Lunch Program	049858-3L60-2011	10.555	467,177	\$98,615	467,177	\$98,615
Total Nutrition Cluster			<u>492,238</u>	<u>98,615</u>	<u>492,238</u>	<u>98,615</u>
Total U.S. Department of Agriculture			<u>492,238</u>	<u>98,615</u>	<u>492,238</u>	<u>98,615</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	049858-3M00-2012	84.010	28,000		35,600	
Title I Grants to Local Educational Agencies	049858-3M00-2013	84.010	444,399		409,183	
Total Title I Grants to Local Educational Agencies			<u>472,399</u>		<u>444,783</u>	
Special Education Cluster:						
Special Education Grants to States	049858-3M20-2012	84.027	65,391		86,147	
Special Education Grants to States	049858-3M20-2013	84.027	808,200		761,985	
Total Special Education Cluster			<u>873,591</u>		<u>848,131</u>	
English Language Acquisition Grants	049858-3Y70-2013	84.365	17,100		17,100	
ARRA-Race to the Top	049858-3FD0-2012	84.395A	18,519		1,555	
ARRA-Race to the Top	049858-3FD0-2013	84.395A	61,434		60,484	
ARRA-Innovative Race to the Top	049858-3FD0-2012	84.395A	7,200		10,485	
ARRA-Innovative Race to the Top	049858-3FD0-2013	84.395A	184,723		183,223	
ARRA-Ohio Resident Educator Program	049858-3FD0-2012	84.395A	4,900			
ARRA-Ohio Resident Educator Program	049858-3FD0-2013	84.395A	5,600		5,600	
ARRA-Peer Assistance and Review	049858-3FD0-2012	84.395A	8,257		8,245	
ARRA-Peer Assistance and Review	049858-3FD0-2013	84.395A	37,406		37,406	
Total ARRA - Race to the Top			<u>328,039</u>		<u>306,997</u>	
Education Jobs	049858-3ET0-2012	84.410	9,440		15,855	
Educational Technology State Grants	049858-3S20-2013	84.318	1,448		1,450	
Improving Teacher Quality State Grants	049858-3Y60-2013	84.367			518	
Improving Teacher Quality State Grants	049858-3Y60-2013	84.367	99,398		99,398	
Total Improving Teacher Quality State Grants			<u>99,398</u>		<u>99,915</u>	
<i>Total Passed Through Ohio Department of Education</i>			<u>1,801,415</u>		<u>1,734,232</u>	
<i>Passed Through Plain Local School District</i>						
Vocational Education Basic Grants to States	N/A	84.048	39,000		39,000	
Total U.S. Department of Education			<u>1,840,415</u>		<u>1,773,232</u>	
Total Federal Financial Assistance			<u>\$2,332,653</u>	<u>\$98,615</u>	<u>\$2,265,470</u>	<u>\$98,615</u>

The accompanying notes 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, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Jackson Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2013, the District requested the Ohio Department of Education to authorize the following transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
ARRA-Race to the Top	84.395	\$2,020
Title I Grants to Local Educational Agencies	84.010	20,553



Dave Yost • Auditor of State

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

Jackson Local School District
Stark County
7602 Fulton Drive NW
Massillon, Ohio 44646

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2013, wherein we noted the District adopted the provisions of Governmental Accounting Standards No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and No. 65, "Items Previously Reported as Assets and Liabilities".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 30, 2013



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Jackson Local School District
Stark County
7602 Fulton Drive NW
Massillon, Ohio 44646

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Jackson Local School District's, Stark County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Jackson Local City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 30, 2013

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<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 significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	ARRA-Race to the Top CFDA #84.395A Special Education Cluster CFDA #84.027
<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**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Jackson Local School District
Stark County
7602 Fulton Drive NW
Massillon, Ohio 44646

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Jackson Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 22, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

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

Dave Yost
Auditor of State

November 30, 2013

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Dave Yost • 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
DECEMBER 26, 2013**