



**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	21
Statement of Fiduciary Fund Net Assets Fiduciary Funds.....	22
Statement of Changes in Fiduciary Fund Net Assets Fiduciary Funds.....	23
Notes to the Basic Financial Statements	25
Schedule of Receipts and Expenditures of Federal Awards.....	53
Notes to the Schedule of Receipts and Expenditures of Federal Awards	54
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	57
Schedule of Findings.....	59

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2004, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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



Betty Montgomery
Auditor of State

February 11, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities decreased \$2,040,172 which represents a 17.90% decrease from 2003.
- General revenues accounted for \$44,289,703 in revenue or 91.20% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions accounted for \$4,273,712 or 8.80% of total revenues of \$48,563,415.
- The District had \$50,603,587 in expenses related to governmental activities; \$4,273,712 of these expenses were offset by program specific charges for services, operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District has three major funds. They are the general fund, debt service fund and building fund. The general fund had \$39,591,701 in revenues and other financing sources and \$40,948,077 in expenditures and other financing uses. The general fund's fund balance decreased from \$9,560,217 to \$8,183,159.
- The debt service fund had \$54,284,324 in revenues and other financing sources and \$4,291,317 in expenditures. The debt service fund's fund balance increased from \$2,792,185 to \$52,785,192.
- The building fund had \$48,758,850 in revenues and other financing sources and \$634,597 in expenditures. The building fund's fund balance increased from \$488,217 to \$48,612,470.

Using this Financial Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-52 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Assets</u>		
Current and other assets	\$ 153,867,335	\$ 52,352,882
Capital assets	<u>35,767,628</u>	<u>36,941,499</u>
Total assets	<u>189,634,963</u>	<u>89,294,381</u>
<u>Liabilities</u>		
Current liabilities	42,130,732	37,500,429
Long-term liabilities	<u>138,149,933</u>	<u>40,399,482</u>
Total liabilities	<u>180,280,665</u>	<u>77,899,911</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	746,361	704,995
Restricted	5,105,192	4,754,772
Unrestricted	<u>3,502,745</u>	<u>5,934,703</u>
Total net assets	<u>\$ 9,354,298</u>	<u>\$ 11,394,470</u>

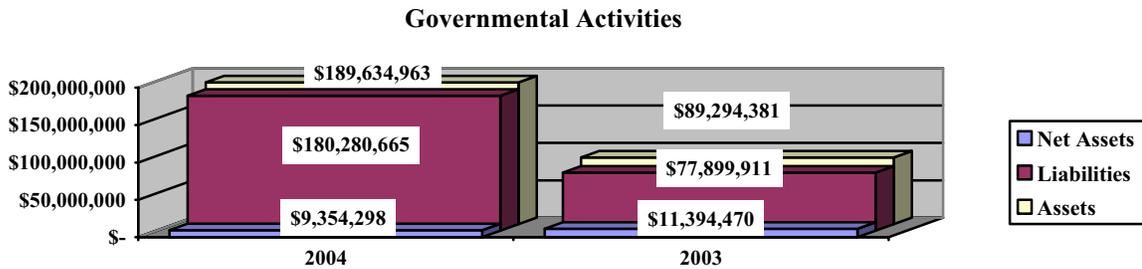
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$9,354,298.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

At year-end, capital assets represented 18.86% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$746,361. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,105,192, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$3,808,300 is restricted for debt service. The remaining unrestricted net assets is \$3,502,745.



The table below shows the change in net assets for fiscal years 2004 and 2003.

	Change in Net Assets	
	Governmental Activities 2004	Governmental Activities 2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,801,959	\$ 2,475,649
Operating grants and contributions	1,471,753	1,170,686
Capital grants and contributions	-	115,568
General revenues:		
Property taxes	33,870,991	36,161,584
Grants and entitlements	9,868,222	9,581,801
Investment earnings	543,424	300,273
Other	7,066	235,355
Extraordinary item	-	1,202,405
Total revenues	48,563,415	51,243,321

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Change in Net Assets

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 20,821,641	\$ 18,856,130
Special	2,676,619	2,202,298
Vocational	1,275,289	1,266,653
Other	958,583	1,071,395
Support services:		
Pupil	3,400,840	2,959,527
Instructional staff	1,406,964	1,533,927
Board of education	21,157	38,764
Administration	3,270,876	3,315,427
Fiscal	985,862	942,384
Business	376,885	336,437
Operations and maintenance	5,460,673	5,906,377
Pupil transportation	3,022,710	2,648,200
Central	1,282,432	1,522,462
Food service operations	1,611,210	1,513,720
Operations of non-instructional services	3,315	1,492
Extracurricular activities	1,530,528	1,425,783
Intergovernmental-pass through	43,581	42,272
Interest and fiscal charges	<u>2,454,422</u>	<u>2,115,472</u>
Total expenses	<u>50,603,587</u>	<u>47,698,720</u>
Change in net assets	<u>\$ (2,040,172)</u>	<u>\$ 3,544,601</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$2,040,172. Total governmental expenses of \$50,603,587 were offset by program revenues of \$4,273,712 and general revenues of \$44,289,703. Program revenues supported 8.45% of the total governmental expenses.

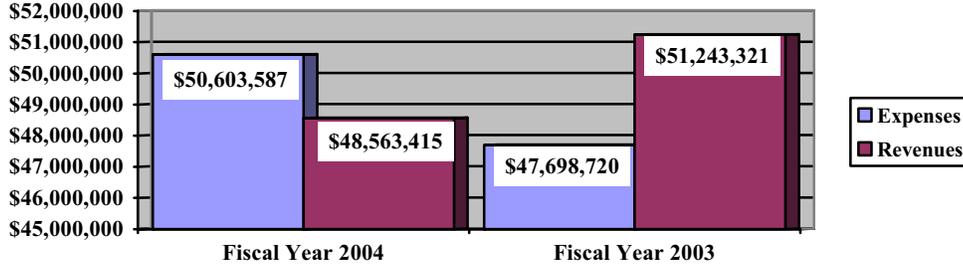
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources account for 90.07% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Stark County in 2000, the District's tax valuation increased by 13% that year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

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

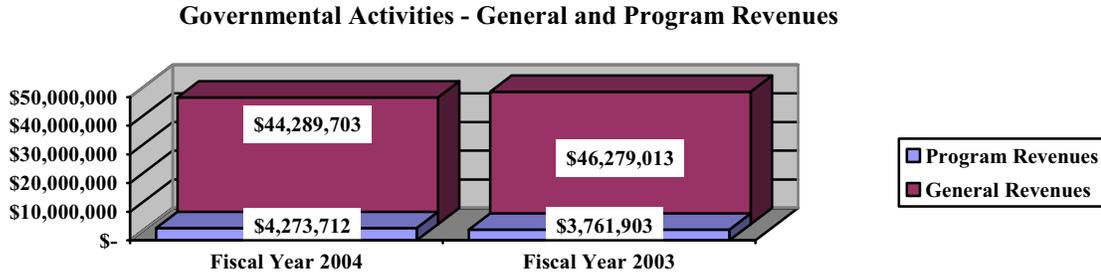
	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses				
Instruction:				
Regular	\$ 20,821,641	\$ 20,023,740	\$ 18,856,130	\$ 18,123,572
Special	2,676,619	2,113,489	2,202,298	1,813,249
Vocational	1,275,289	1,127,506	1,266,653	1,126,608
Other	958,583	768,112	1,071,395	979,940
Support services:				
Pupil	3,400,840	3,218,110	2,959,527	2,767,240
Instructional staff	1,406,964	1,256,334	1,533,927	1,410,882
Board of education	21,157	21,157	38,764	38,764
Administration	3,270,876	3,154,165	3,315,427	3,102,921
Fiscal	985,862	984,980	942,384	939,802
Business	376,885	376,885	336,437	336,424
Operations and maintenance	5,460,673	5,424,924	5,906,377	5,864,602
Pupil transportation	3,022,710	3,011,918	2,648,200	2,632,445
Central	1,282,432	1,179,123	1,522,462	1,422,202
Food service operations	1,611,210	191,569	1,513,720	225,628
Operations of non-instructional services	3,315	425	1,492	143
Extracurricular activities	1,530,528	979,435	1,425,783	997,483
Intergovernmental pass-through	43,581	43,581	42,272	39,440
Interest and fiscal charges	2,454,422	2,454,422	2,115,472	2,115,472
Total	<u>\$ 50,603,587</u>	<u>\$ 46,329,875</u>	<u>\$ 47,698,720</u>	<u>\$ 43,936,817</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 93.40% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 91.55%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$111,175,293, which is higher than last year's total of \$14,400,843. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 8,183,159	\$ 9,560,217	\$ (1,377,058)	(14.40) %
Debt Service	52,785,192	2,792,185	49,993,007	1,790.46 %
Building	48,612,470	488,217	48,124,253	9,857.14 %
Other Governmental	<u>1,594,472</u>	<u>1,560,224</u>	<u>34,248</u>	2.20 %
Total	<u>\$ 111,175,293</u>	<u>\$ 14,400,843</u>	<u>\$ 96,774,450</u>	672.01 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

General Fund

During fiscal year 2004, the District's general fund balance decreased \$(1,377,058), which can be attributed to increased expenditures during fiscal year 2004. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 29,607,756	\$ 30,938,134	\$ (1,330,378)	(4.30) %
Tuition	141,092	117,815	23,277	19.76 %
Earnings on investments	163,468	329,905	(166,437)	(50.45) %
Intergovernmental	9,324,710	9,022,408	302,302	3.35 %
Other revenues	<u>354,675</u>	<u>277,611</u>	<u>77,064</u>	27.76 %
Total	<u>\$ 39,591,701</u>	<u>\$ 40,685,873</u>	<u>\$ (1,094,172)</u>	(2.69) %
<u>Expenditures</u>				
Instruction	\$ 22,601,192	\$ 21,004,398	\$ 1,596,794	7.60 %
Support services	17,026,371	17,655,284	(628,913)	(3.56) %
Extracurricular activities	974,721	925,714	49,007	5.29 %
Intergovernmental pass-through	43,581	40,324	3,257	8.08 %
Facilities acquisition and construction	15,336	139,918	(124,582)	(89.04) %
Capital outlay	-	130,834	(130,834)	(100.00) %
Debt service	<u>85,876</u>	<u>94,679</u>	<u>(8,803)</u>	(9.30) %
Total	<u>\$ 40,747,077</u>	<u>\$ 39,991,151</u>	<u>\$ 755,926</u>	1.89 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Debt Service

During fiscal year 2004, the District's debt service fund balance increased \$49,993,007 due to the proceeds from the sale of bonds for the District building project. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2004</u> <u>Amount</u>	<u>2003</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	\$ 3,299,572	\$ 3,974,461	\$ (674,889)	(16.98) %
Intergovernmental	406,870	445,283	(38,413)	(8.63) %
Premium/accrued interest from bonds	2,077,944	-	2,077,944	100.00 %
Proceeds from sale of bonds	<u>48,499,938</u>	<u>-</u>	<u>48,499,938</u>	100.00 %
Total	<u>\$54,284,324</u>	<u>\$ 4,419,744</u>	<u>\$ 49,864,580</u>	1,128.22 %
<u>Expenditures</u>				
Fiscal	\$ 53,386	\$ 49,230	\$ 4,156	8.44 %
Debt Service:				
Principal	1,910,000	1,785,000	125,000	7.00 %
Interest	1,775,599	1,864,925	(89,326)	(4.79) %
Bond issuance costs	<u>552,332</u>	<u>-</u>	<u>552,332</u>	100.00 %
Total	<u>\$ 4,291,317</u>	<u>\$ 3,699,155</u>	<u>\$ 592,162</u>	16.01 %

Building

During fiscal year 2004, the District's building fund balance increased \$48,124,253 due to the proceeds from the sale of notes for various District building projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues and other</u>				
<u>financing sources</u>				
Earnings on investments	\$ 258,850	\$ 48,724	\$ 210,126	431.26 %
Proceeds from sale of notes	<u>48,500,000</u>	<u>-</u>	<u>48,500,000</u>	100.00 %
Total	<u>\$48,758,850</u>	<u>\$ 48,724</u>	<u>\$ 48,710,126</u>	99,971.53 %
<u>Expenditures</u>				
Facilities acquisition and construction	<u>\$ 634,597</u>	<u>\$ 7,529,199</u>	<u>\$ (6,894,602)</u>	(91.57) %

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

During the course of fiscal year 2004, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$40,192,890 were \$1,383,480 higher than the original budgeted revenues estimate of \$38,809,410. Actual revenues and other financing sources of \$40,196,331 approximated the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$42,088,921 were \$2,323,409 lower than the final appropriations (appropriated expenditures plus other financing uses) of \$44,412,330, which were \$15,001 higher than the original appropriations, due to good planning and a tight control of overall expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the District had \$35,767,628 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

	Capital Assets at June 30	
	(Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Land	\$ 1,974,208	\$ 1,974,208
Land improvements	557,357	397,010
Buildings and improvements	29,955,912	28,080,070
Furniture and equipment	885,046	981,418
Vehicles	2,395,105	2,433,862
Construction in progress	<u>-</u>	<u>3,074,931</u>
Total	<u>\$ 35,767,628</u>	<u>\$ 36,941,499</u>

The primary increase occurred in buildings and improvements related to various District building projects. Total additions to capital assets for 2004 were \$1,171,903 and \$3,074,931 of completed construction in progress was transferred to buildings and improvements. The decrease in capital assets is due to the recording of depreciation expense in the amount of \$2,110,001.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

Debt Administration

At June 30, 2004 the District had \$131,893,463 in general obligation bonds and bond anticipation notes outstanding. These issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$50,520,000 is due within one year and \$81,373,463 is due within greater than one year. The following table summarizes the bonds and note outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2004</u>	Governmental Activities <u>2003</u>
Current interest bonds - 2004	\$ 47,225,000	\$ -
Capital appreciation bonds - 2004	1,282,309	-
Bond anticipation note - 2004	48,500,000	-
Current interest bonds - 2000	23,220,000	23,730,000
Capital appreciation bonds - 2000	1,206,077	1,085,066
Current interest bonds - 1993	8,900,000	10,300,000
Capital appreciation bonds - 1993	<u>1,560,077</u>	<u>1,412,060</u>
Total	<u>\$ 131,893,463</u>	<u>\$ 36,527,126</u>

At June 30, 2004, the District's overall legal debt margin was \$24,749,484 with an unvoted debt margin of \$1,153,975.

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

Current Financial Related Activities

Overall, the District has been financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. The triennial update of property values occurred in tax year 2003 so that taxes collected in calendar year 2004 reflect increases related to this update. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2005. However, the future financial stability of the District is not without challenges.

The first challenge is the loss of state foundation revenues due to charge-offs for post secondary option and children attending community schools. The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2005. The District is currently developing a plan to control spending for years beyond fiscal year 2005. There is no doubt that the District will face some form of renewal of the emergency levy that it will collect through calendar year 2006.

The next challenge facing the District is to continue meeting the demands of growth. The District's enrollment has been stable the past several years, but is now seeing a growth trend. Current enrollment of 5,524 is expected to reach 6,000 students by 2009-2010. Producing valid growth estimates along with providing additional space for an overcrowded high school will be a theme that carries into fiscal year 2005. The District passed a 2.6 mil bond issue in March 2004 and has begun additions at Lake Cable and Amherst Elementary schools as well as a 140,000 square foot addition at Jackson High School to begin in the spring of 2005.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

The last challenge facing the District is the future of state funding. Known as the DeRolph case, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. According to the Ohio Coalition for Equity and Adequacy of School Funding, it will continue litigation efforts until all school children are afforded high quality educational opportunities. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision, no state revenue growth was realized. From a legislative standpoint many decisions have been made that have a deteriorating effect on school revenues: the decision in past years to raise the charge off millage on the school foundation program to 23 mills from 20 mills; the decision to phase out the personal property tax; the decision to grant authority to the State Department of Taxation charging a fee to distribute rollback, homestead and personal property tax.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the state and federal government. Examples would be Educational Management Information System (state), education of handicapped children, and No Child Left Behind (federal) compliance.

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 Mr. Douglas B. Winkler, Treasurer, Jackson Local School District, 7984 Fulton Drive NW, Massillon, Ohio 44646.

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 114,397,674
Receivables:	
Taxes	38,383,571
Accounts	6,701
Intergovernmental	138,177
Accrued interest	101,512
Prepayments	44,269
Materials and supplies inventory	244,659
Unamortized bond issue costs	550,772
Capital assets:	
Land	1,974,208
Depreciable capital assets, net	33,793,420
Capital assets, net.	35,767,628
 Total assets.	 189,634,963
 Liabilities:	
Accounts payable.	166,351
Accrued wages and benefits	4,784,147
Pension obligation payable.	1,042,292
Intergovernmental payable	172,847
Deferred revenue	35,424,319
Accrued interest payable	540,776
Long-term liabilities:	
Due within one year.	50,802,589
Due within more than one year	87,347,344
 Total liabilities	 180,280,665
 Net Assets:	
Invested in capital assets, net of related debt.	746,361
Restricted for:	
Capital projects	1,296,892
Debt service.	3,808,300
Unrestricted.	3,502,745
 Total net assets	 \$ 9,354,298

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, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Expenses		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 20,821,641	\$ 540,722	\$ 257,179	\$ (20,023,740)
Special	2,676,619	-	563,130	(2,113,489)
Vocational	1,275,289	143,833	3,950	(1,127,506)
Other	958,583	95,355	95,116	(768,112)
Support services:				
Pupil	3,400,840	127,145	55,585	(3,218,110)
Instructional staff	1,406,964	560	150,070	(1,256,334)
Board of education	21,157	-	-	(21,157)
Administration	3,270,876	99,207	17,504	(3,154,165)
Fiscal	985,862	-	882	(984,980)
Business	376,885	-	-	(376,885)
Operations and maintenance	5,460,673	35,749	-	(5,424,924)
Pupil transportation	3,022,710	10,792	-	(3,011,918)
Central	1,282,432	57,484	45,825	(1,179,123)
Operation of non-instructional services:				
Food service operations	1,611,210	1,140,019	279,622	(191,569)
Other non-instructional services	3,315	-	2,890	(425)
Extracurricular activities	1,530,528	551,093	-	(979,435)
Intergovernmental pass-through	43,581	-	-	(43,581)
Interest and fiscal charges	2,454,422	-	-	(2,454,422)
Total governmental activities	<u>\$ 50,603,587</u>	<u>\$ 2,801,959</u>	<u>\$ 1,471,753</u>	<u>(46,329,875)</u>
General Revenues:				
Property taxes levied for:				
General purposes				29,605,189
Debt service				3,276,467
Capital projects				989,335
Grants and entitlements not restricted to specific programs				9,868,222
Investment earnings				543,424
Miscellaneous				7,066
Total general revenues				<u>44,289,703</u>
Change in net assets				(2,040,172)
Net assets at beginning of year				<u>11,394,470</u>
Net assets at end of year				<u>\$ 9,354,298</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 11,443,776	\$ 52,589,982	\$ 48,602,933	\$ 1,760,983	\$ 114,397,674
Receivables:					
Taxes	31,323,544	6,003,878	-	1,056,149	38,383,571
Accounts	6,701	-	-	-	6,701
Intergovernmental	-	-	-	138,177	138,177
Accrued interest	46,146	-	55,366	-	101,512
Interfund loans	109,989	-	-	-	109,989
Prepayments	43,652	-	-	617	44,269
Materials and supplies inventory	211,390	-	-	33,269	244,659
Total assets	<u>\$ 43,185,198</u>	<u>\$ 58,593,860</u>	<u>\$ 48,658,299</u>	<u>\$ 2,989,195</u>	<u>\$ 153,426,552</u>
Liabilities:					
Accounts payable	\$ 90,197	\$ -	\$ 45,829	\$ 30,325	\$ 166,351
Accrued wages and benefits	4,579,178	-	-	204,969	4,784,147
Compensated absences payable	65,895	-	-	-	65,895
Pension obligation payable	595,050	-	-	34,454	629,504
Intergovernmental payable	165,281	-	-	7,566	172,847
Interfund loan payable	-	-	-	109,989	109,989
Deferred revenue	29,506,438	5,808,668	-	1,007,420	36,322,526
Total liabilities	<u>35,002,039</u>	<u>5,808,668</u>	<u>45,829</u>	<u>1,394,723</u>	<u>42,251,259</u>
Fund Balances:					
Reserved for encumbrances	1,172,659	-	813,564	409,277	2,395,500
Reserved for materials and supplies inventory	211,390	-	-	33,269	244,659
Reserved for prepayments	43,652	-	-	617	44,269
Reserved for property tax unavailable for appropriation	1,857,828	195,210	-	67,320	2,120,358
Reserved for debt service	-	52,589,982	-	-	52,589,982
Reserved for unclaimed monies	6,209	-	-	-	6,209
Undesignated, reported in:					
General fund	4,891,421	-	-	-	4,891,421
Special revenue funds	-	-	-	114,214	114,214
Capital projects funds	-	-	47,798,906	969,775	48,768,681
Total fund balances	<u>8,183,159</u>	<u>52,785,192</u>	<u>48,612,470</u>	<u>1,594,472</u>	<u>111,175,293</u>
Total liabilities and fund balances	<u>\$ 43,185,198</u>	<u>\$ 58,593,860</u>	<u>\$ 48,658,299</u>	<u>\$ 2,989,195</u>	<u>\$ 153,426,552</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total governmental fund balances		\$	111,175,293
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			35,767,628
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	859,414	
Accounts receivable		131	
Accrued interest		<u>38,662</u>	
Total			898,207
Unamortized premiums on bond issuance is not recognized in the funds.			(1,973,753)
Unamortized bond issuance costs are not recognized in the funds.			550,772
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(4,095,032)	
Pension obligation payable		(412,788)	
General obligation bonds payable		(83,393,463)	
Bond anticipation notes payable		(48,500,000)	
Capital lease obligation payable		(121,790)	
Accrued interest payable		<u>(540,776)</u>	
Total			<u>(137,063,849)</u>
Net assets of governmental activities		\$	<u><u>9,354,298</u></u>

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, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 29,607,756	\$ 3,299,572	\$ -	\$ 989,602	\$ 33,896,930
Tuition	141,092	-	-	87,344	228,436
Transportation fees	10,792	-	-	-	10,792
Charges for services	-	-	-	1,140,019	1,140,019
Earnings on investments	163,468	-	258,850	-	422,318
Extracurricular	-	-	-	673,813	673,813
Classroom materials and fees	222,281	-	-	62,643	284,924
Contributions and donations	1,408	-	-	104,098	105,506
Other local revenues	103,416	-	-	261,988	365,404
Other revenue	16,778	-	-	-	16,778
Intergovernmental - State	9,281,434	406,870	-	418,222	10,106,526
Intergovernmental - Federal	43,276	-	-	1,173,395	1,216,671
Total revenue	<u>39,591,701</u>	<u>3,706,442</u>	<u>258,850</u>	<u>4,911,124</u>	<u>48,468,117</u>
Expenditures:					
Current:					
Instruction:					
Regular	18,815,103	-	-	359,873	19,174,976
Special	2,015,716	-	-	565,040	2,580,756
Vocational	1,063,596	-	-	160,259	1,223,855
Other	706,777	-	-	254,402	961,179
Support services:					
Pupil	3,157,681	-	-	177,990	3,335,671
Instructional staff	1,190,688	-	-	142,708	1,333,396
Board of education	21,157	-	-	-	21,157
Administration	3,116,197	-	-	111,676	3,227,873
Fiscal	914,476	53,386	-	15,226	983,088
Business	334,555	-	-	-	334,555
Operations and maintenance	4,520,550	-	-	120	4,520,670
Pupil transportation	2,670,161	-	-	247,650	2,917,811
Central	1,100,906	-	-	155,370	1,256,276
Operation of non-instructional services:					
Food service operations	-	-	-	1,476,827	1,476,827
Other non-instructional services	-	-	-	3,315	3,315
Extracurricular activities	974,721	-	-	501,619	1,476,340
Intergovernmental pass-through	43,581	-	-	-	43,581
Facilities acquisition and construction	15,336	-	634,597	904,527	1,554,460
Debt service:					
Principal retirement	75,805	1,910,000	-	-	1,985,805
Interest and fiscal charges	10,071	1,775,599	-	-	1,785,670
Bond issuance costs	-	552,332	-	-	552,332
Total expenditures	<u>40,747,077</u>	<u>4,291,317</u>	<u>634,597</u>	<u>5,076,602</u>	<u>50,749,593</u>
Excess of revenues under expenditures	<u>(1,155,376)</u>	<u>(584,875)</u>	<u>(375,747)</u>	<u>(165,478)</u>	<u>(2,281,476)</u>
Other financing sources (uses):					
Transfers in	-	-	-	201,000	201,000
Transfers (out)	(201,000)	-	-	-	(201,000)
Premium on sale of bonds	-	1,979,344	-	-	1,979,344
Accrued interest on sale of bonds	-	98,600	-	-	98,600
Proceeds from sale of bonds	-	48,499,938	-	-	48,499,938
Proceeds from sale of notes	-	-	48,500,000	-	48,500,000
Total other financing sources (uses)	<u>(201,000)</u>	<u>50,577,882</u>	<u>48,500,000</u>	<u>201,000</u>	<u>99,077,882</u>
Net change in fund balances	<u>(1,356,376)</u>	<u>49,993,007</u>	<u>48,124,253</u>	<u>35,522</u>	<u>96,796,406</u>
Fund balances at beginning of year	9,560,217	2,792,185	488,217	1,560,224	14,400,843
Decrease in reserve for inventory	(20,682)	-	-	(1,274)	(21,956)
Fund balances at end of year	<u>\$ 8,183,159</u>	<u>\$ 52,785,192</u>	<u>\$ 48,612,470</u>	<u>\$ 1,594,472</u>	<u>\$ 111,175,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Net change in fund balances - total governmental funds	\$	96,796,406
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$2,110,001) exceeds capital outlays (\$1,171,903) in the current period.		(938,098)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(235,773)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		(1,973,753)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		550,772
Governmental funds report expenditures for inventory when purchased. However, on the statement of activities, they are reported as an expense when consumed.		(21,956)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(17,293)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		1,985,805
Proceeds from the sale of bonds and notes are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(96,999,938)
Governmental funds report expenditures for interest when it is due. On the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		(672,783)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(513,561)
Change in net assets of governmental activities	\$	(2,040,172)

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 28,946,987	\$ 29,978,888	\$ 29,981,455	\$ 2,567
Tuition.	136,224	141,080	141,092	12
Earnings on investments.	215,458	223,139	223,158	19
Transportation fees.	10,420	10,791	10,792	1
Contributions and donations.	1,359	1,408	1,408	-
Classroom materials and fees.	214,611	222,262	222,281	19
Other local revenues.	194,632	201,571	201,588	17
Intergovernmental - Intermediate.	16,199	16,777	16,778	1
Intergovernmental - State	8,961,190	9,280,639	9,281,434	795
Intergovernmental - Federal.	41,783	43,272	43,276	4
Total revenue	<u>38,738,863</u>	<u>40,119,827</u>	<u>40,123,262</u>	<u>3,435</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,981,038	18,987,450	18,773,676	213,774
Special.	2,299,055	2,299,832	2,258,339	41,493
Vocational.	1,131,650	1,132,032	1,051,435	80,597
Other.	1,019,990	1,020,335	773,438	246,897
Support services:				
Pupil.	3,185,875	3,186,951	3,070,657	116,294
Instructional staff	1,345,364	1,345,819	1,242,988	102,831
Board of education	21,962	21,969	16,050	5,919
Administration.	3,186,512	3,187,589	3,156,727	30,862
Fiscal	919,653	919,964	911,344	8,620
Business	416,027	416,168	405,387	10,781
Operations and maintenance.	5,449,283	5,451,124	5,023,191	427,933
Pupil transportation	2,640,444	2,641,336	2,632,206	9,130
Central.	1,975,901	1,976,569	1,420,043	556,526
Extracurricular activities.	987,898	988,232	969,900	18,332
Facilities acquisition and construction.	396,826	396,960	26,796	370,164
Intergovernmental pass-through	43,985	44,000	43,581	419
Total expenditures	<u>44,001,463</u>	<u>44,016,330</u>	<u>41,775,758</u>	<u>2,240,572</u>
Excess of revenues over (under) expenditures.	<u>(5,262,600)</u>	<u>(3,896,503)</u>	<u>(1,652,496)</u>	<u>2,244,007</u>
Other financing sources (uses):				
Refund of prior year expenditure	46,410	48,065	48,069	4
Refund of prior year receipt.	(32,989)	(33,000)	(593)	32,407
Transfers (out)	(200,932)	(201,000)	(201,000)	-
Advances in.	24,137	24,998	25,000	2
Advances (out)	(111,962)	(112,000)	(111,570)	430
Contingencies.	(49,983)	(50,000)	-	50,000
Total other financing sources (uses)	<u>(325,319)</u>	<u>(322,937)</u>	<u>(240,094)</u>	<u>82,843</u>
Net change in fund balance	(5,587,919)	(4,219,440)	(1,892,590)	2,326,850
Fund balance at beginning of year.	10,230,401	10,230,401	10,230,401	-
Prior year encumbrances appropriated	1,921,333	1,921,333	1,921,333	-
Fund balance at end of year.	<u>\$ 6,563,815</u>	<u>\$ 7,932,294</u>	<u>\$ 10,259,144</u>	<u>\$ 2,326,850</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 47,496	\$ 100,696
Total assets.	47,496	\$ 100,696
Liabilities:		
Accounts payable.	-	\$ 22
Due to students	-	100,674
Total liabilities	-	\$ 100,696
Net Assets:		
Held in trust for scholarships	47,496	
Total net assets	\$ 47,496	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 497
Gifts and contributions.	10,998
	11,495
Total additions.	11,495
Deductions:	
Scholarships awarded	12,911
	(1,416)
Change in net assets	(1,416)
Net assets at beginning of year	48,912
Net assets at end of year.	\$ 47,496

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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 62nd largest by total enrollment among the 613 public school districts in the state, and 3rd largest in Stark County. The District employs 278 non-certified, and 370 certified employees to provide services to 5,626 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government 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 organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

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

The Council is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of 39 Stark County school districts.

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

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

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

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.

GOVERNMENTAL FUNDS

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

D. Basis of Accounting

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

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

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

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

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 Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to 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 June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

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 statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004. The amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2004, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, U.S. Government money market, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earning 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 2004 amounted to \$163,468 which includes \$134,047 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 Treasurer's investment account at year-end is provided in Note 4.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the Statement of Net Assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions 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.

L. Fund Balance Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

M. Net Assets

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

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

N. 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.

O. 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.

P. 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.

Q. 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 2004, the District did not incur any transactions that would be classified as an extraordinary item or special item.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 74,989
Communications	3,746
SchoolNet	20
Summer School Subsidy	324
Carl D. Perkins	114
Title I	19,350
Continuous Improvement	5

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities and will be eliminated in the next fiscal year as revenues become available to cover costs as they are incurred.

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the finance 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

Cash on hand: At fiscal year-end, the District had \$2,520 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$8,542,134 and the bank balance was \$9,002,671. These balances included \$9,000,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$902,671 was covered by federal depository insurance; and
2. \$8,100,000 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio and U.S. Government money market fund are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Reported Amount	Fair Value
Repurchase agreements	\$ 1,205,000	\$ 1,205,000	\$ 1,205,000
Federal agency securities	51,356,554	51,356,554	51,356,554
Total	\$ 52,561,554		
Investment in STAR Ohio		10,739,658	10,739,658
U.S. Government money market fund		42,700,000	42,700,000
Total investments		\$ 106,001,212	\$ 106,001,212

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 114,545,866	\$ -
Investments of the cash management pool:		
Repurchase agreements	(1,205,000)	1,205,000
Investment in STAR Ohio	(10,739,658)	10,739,658
Federal agency securities	(51,356,554)	51,356,554
U.S. Government money market fund	(42,700,000)	42,700,000
Cash on hand	(2,520)	-
GASB Statement No. 3	\$ 8,542,134	\$ 106,001,212

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 109,989

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$201,000

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark and Summit Counties. The Stark County Auditor and the Summit County Fiscal Officer periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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 revenue.

The amount available as an advance at June 30, 2004 was \$1,857,828 in the general fund, \$195,210 in the debt service fund and \$67,320 in the capital projects funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$2,231,527 in the general fund, \$307,226 in the debt service fund, and \$78,788 in the capital projects funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 936,280,090	86.39	\$ 1,017,552,290	88.18
Public utility personal	34,059,250	3.14	34,393,000	2.98
Tangible personal property	<u>113,511,672</u>	<u>10.47</u>	<u>102,029,769</u>	<u>8.84</u>
Total	<u>\$ 1,083,851,012</u>	<u>100.00</u>	<u>\$ 1,153,975,059</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 48.30		\$ 46.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Taxes	\$ 38,383,571
Accounts	6,701
Intergovernmental	138,177
Accrued interest	<u>101,512</u>
Total	<u>\$ 38,629,961</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2004</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,974,208	\$ -	\$ -	\$ 1,974,208
Construction in progress	<u>3,074,931</u>	<u>-</u>	<u>(3,074,931)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>5,049,139</u>	<u>-</u>	<u>(3,074,931)</u>	<u>1,974,208</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	453,614	191,025	-	644,639
Building and improvements	50,143,645	3,603,855	(231,200)	53,516,300
Furniture and equipment	1,994,517	106,817	(45,271)	2,056,063
Vehicles	<u>4,472,440</u>	<u>345,137</u>	<u>(238,705)</u>	<u>4,578,872</u>
Total capital assets, being depreciated	<u>57,064,216</u>	<u>4,246,834</u>	<u>(515,176)</u>	<u>60,795,874</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(56,604)	(30,678)	-	(87,282)
Building and improvements	(22,063,575)	(1,502,387)	5,574	(23,560,388)
Furniture and equipment	(1,013,099)	(193,042)	35,124	(1,171,017)
Vehicles	<u>(2,038,578)</u>	<u>(383,894)</u>	<u>238,705</u>	<u>(2,183,767)</u>
Total accumulated depreciation	<u>(25,171,856)</u>	<u>(2,110,001)</u>	<u>279,403</u>	<u>(27,002,454)</u>
Governmental activities capital assets, net	<u>\$ 36,941,499</u>	<u>\$ 2,136,833</u>	<u>\$ (3,310,704)</u>	<u>\$ 35,767,628</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,102,372
Special	38,157
Vocational	46,026
<u>Support Services:</u>	
Pupil	29,624
Instructional staff	64,903
Administration	37,685
Fiscal	2,869
Business	40,008
Operations and maintenance	132,889
Pupil transportation	395,752
Central	41,669
Extracurricular activities	59,382
Food service operations	<u>118,665</u>
Total depreciation expense	<u>\$ 2,110,001</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$389,469. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$75,805 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 84,353
2006	40,008
2007	<u>4,688</u>
Total minimum lease payments	129,049
Less amount representing interest	<u>(7,259)</u>
Total	<u>\$ 121,790</u>

NOTE 10 - LONG-TERM OBLIGATIONS

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

This issue is comprised of both current interest bonds, par value \$24,195,000, and capital appreciation bonds, par value \$1,840,000. The interest rates on the current interest bonds range from 4.45% to 5.625%. The capital appreciation bonds mature on December 1, 2007 (effective interest 10.86%) and December 1, 2008 (effective interest 10.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2004 was \$804,509. A total of \$401,568 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2004.

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, 2025.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 on the 2000 series general obligation bonds:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Current interest bonds	\$ 23,730,000	\$ -	\$ (510,000)	\$ 23,220,000
Capital appreciation bonds	1,085,066	121,011	-	1,206,077
Total G.O. bonds	\$ 24,815,066	\$ 121,011	\$ (510,000)	\$ 24,426,077

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 560,000	\$ 1,235,798	\$ 1,795,798	\$ -	\$ -	\$ -
2006	770,000	1,204,683	1,974,683	-	-	-
2007	835,000	1,166,757	2,001,757	-	-	-
2008	-	1,146,926	1,146,926	416,961	488,039	905,000
2009	-	1,146,926	1,146,926	387,548	547,452	935,000
2010 - 2014	5,360,000	5,073,231	10,433,231	-	-	-
2015 - 2019	5,390,000	3,641,116	9,031,116	-	-	-
2020 - 2024	6,950,000	1,959,602	8,909,602	-	-	-
2025 - 2026	3,355,000	191,392	3,546,392	-	-	-
Total	\$ 23,220,000	\$ 16,766,431	\$ 39,986,431	\$ 804,509	\$ 1,035,491	\$ 1,840,000

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

This issue is comprised of both current interest bonds, par value \$17,620,000, and capital appreciation bonds, par value \$1,845,000. The interest rates on the current interest bonds range from 2.80% to 5.50%. The capital appreciation bonds mature on December 1, 2005 (effective interest 10.25%) and December 1, 2006 (effective interest 10.10%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2004 was \$529,120. A total of \$1,030,957 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2021.

The following is a schedule of activity for fiscal 2004 on the 1993 series general obligation bonds:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Current interest bonds	\$ 10,300,000	\$ -	\$ (1,400,000)	\$ 8,900,000
Capital appreciation bonds	1,412,060	148,017	-	1,560,077
Total G.O. bonds	\$ 11,712,060	\$ 148,017	\$ (1,400,000)	\$ 10,460,077

The following is a summary of the future debt service requirements to maturity for the 1993 series general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 1,460,000	\$ 443,185	\$ 1,903,185	\$ -	\$ -	\$ -
2006	-	406,320	406,320	433,799	1,056,201	1,490,000
2007	-	406,320	406,320	95,321	259,679	355,000
2008	350,000	396,870	746,870	-	-	-
2009	375,000	377,295	752,295	-	-	-
2010 - 2014	2,155,000	1,555,455	3,710,455	-	-	-
2015 - 2019	2,670,000	900,626	3,570,626	-	-	-
2020 - 2022	1,890,000	157,850	2,047,850	-	-	-
Total	\$ 8,900,000	\$ 4,643,921	\$ 13,543,921	\$ 529,120	\$ 1,315,880	\$ 1,845,000

- C. During fiscal year 2004, the District issued \$48,500,000 in bond anticipation notes to begin various building projects. The notes will be retired using the proceeds from the District's \$48,499,938 bond issue on May 19, 2004. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations. A summary of the bond anticipation note activity for fiscal year 2004 follows:

	Issue Date	Maturity Date	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Bond anticipation note	4/20/04	8/12/04	\$ -	\$ 48,500,000	\$ -	\$ 48,500,000
			<u>\$ -</u>	<u>\$ 48,500,000</u>	<u>\$ -</u>	<u>\$ 48,500,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

This issue is comprised of both current interest bonds, par value \$47,225,000, and capital appreciation bonds, par value \$3,110,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2008 (effective interest 16.80%), December 1, 2009 (effective interest 16.80%) and December 1, 2010 (effective interest rate 16.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004, was \$1,274,938. A total of \$7,371 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

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, 2033.

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

	Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2004</u>
Current interest bonds	\$ -	\$ 47,225,000	\$ -	\$ 47,225,000
Capital appreciation bonds	-	1,282,309	-	1,282,309
Total G.O. bonds	<u>\$ -</u>	<u>\$ 48,507,309</u>	<u>\$ -</u>	<u>\$ 48,507,309</u>

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

Year Ended	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 2,357,842	\$ 2,357,842	\$ -	\$ -	\$ -
2006	645,000	2,275,333	2,920,333	-	-	-
2007	700,000	2,261,007	2,961,007	-	-	-
2008	900,000	2,241,883	3,141,883	-	-	-
2009	-	2,230,632	2,230,632	466,822	503,178	970,000
2010 - 2014	3,485,000	10,954,463	14,439,463	808,116	1,331,884	2,140,000
2015 - 2019	6,880,000	9,690,416	16,570,416	-	-	-
2020 - 2024	8,785,000	7,728,862	16,513,862	-	-	-
2025 - 2029	11,330,000	5,123,488	16,453,488	-	-	-
2030 - 2033	14,500,000	1,883,000	16,383,000	-	-	-
Total	<u>\$ 47,225,000</u>	<u>\$ 46,746,926</u>	<u>\$ 93,971,926</u>	<u>\$ 1,274,938</u>	<u>\$ 1,835,062</u>	<u>\$ 3,110,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Balance <u>July 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2004</u>	Amount Due in <u>One Year</u>
General obligation bonds	\$ 36,527,126	\$ 48,776,337	\$ (1,910,000)	\$ 83,393,463	\$ 2,020,000
Bond anticipation notes	-	48,500,000	-	48,500,000	48,500,000
Capital lease obligation	197,595	-	(75,805)	121,790	79,216
Compensated absences	<u>3,674,761</u>	<u>722,750</u>	<u>(236,584)</u>	<u>4,160,927</u>	<u>203,373</u>
Total	<u>\$ 40,399,482</u>	<u>\$ 97,999,087</u>	<u>\$ (2,222,389)</u>	136,176,180	<u>\$ 50,802,589</u>
Add: unamortized premium				<u>1,973,753</u>	
Total on statement of net assets				<u>\$ 138,149,933</u>	

E. 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 effects of these debt limitations at June 30, 2004 are a voted debt margin of \$24,749,484 (including available funds of \$52,785,192) and an unvoted debt margin of \$1,153,975.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 290 days for both classified and certified employees. Upon retirement, classified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 48 days. Upon retirement, classified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 60 days.

B. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance		
Each occurrence		\$1,000,000	\$2,500
Aggregate		2,000,000	2,500
Building and contents	Indiana Insurance	Replacement cost	5,000
Fleet:	Indiana Insurance		
Auto only		1,000,000	500
Other than auto only		1,000,000	500
Aggregate other than auto		3,000,000	500
Uninsured Motorist		50,000	500
Umbrella liability	Indiana Insurance	6,000,000	5,000

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.

B. Shared Risk Pool

The District has contracted with the Stark County Schools Council of Government's 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 39 Stark County 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 \$669.56 for family coverage and \$275.62 for single coverage per employee per month and the District pays dental premiums of \$86.34 for family coverage and \$35.00 for single coverage per employee per month.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2004, the District participated in the Stark County Schools Council of Government's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$882,831, \$805,350, and \$751,447, respectively; 46.47% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$472,536, represents the unpaid contribution for fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,743,527, \$2,490,905, and \$2,449,283, respectively; 82.80% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$471,992, represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$17,929 made by the District and \$44,468 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$195,966 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$307.4 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$397,328 during the 2004 fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (1,892,590)
Net adjustment for revenue accruals	(531,561)
Net adjustment for expenditure accruals	(213,366)
Net adjustment for other sources/uses	39,094
Adjustment for encumbrances	1,242,047
GAAP basis	\$ (1,356,376)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2004.

B. Litigation

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

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (969,554)	\$ -	\$ 171,891
Current year set-aside requirement	760,089	760,089	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(1,090,255)</u>	<u>(1,092,367)</u>	<u>(171,891)</u>
Total	<u>\$ (1,299,720)</u>	<u>\$ (332,278)</u>	<u>\$ -</u>
Balance carried forward to FY 2005	<u>\$ (1,299,720)</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

NOTE 17 - STATUTORY RESERVES - (Continued)

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

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2004, the District had the following contractual commitments outstanding related to the renovation of the Sauder Elementary School, Jackson Memorial Middle School and Robert Fife Stadium. A summary of the primary contractual commitments follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2004</u>
Sauder Elementary Restroom Renovation and Science Room Renovation			
Jeffrey Carr Construction	\$ 128,800	\$ -	\$ 128,800
Schmid Mechanical, Inc.	102,662	-	102,662
Sander Electric	29,956	-	29,956
Jackson Memorial Middle School			
Parking Lot Renovation			
North Star Asphalt	333,430	-	333,430
Hilscher Clark Electric	105,175	-	105,175
Rohr's Nursery	15,370	-	15,370
Robert Fife Stadium Bleachers			
Dave York Sports, Inc.	52,596	-	52,596
Architectural Services			
Harris Day Architects	270,000	126,000	144,000

NOTE 19 - SIGNIFICANT SUBSEQUENT EVENT

The District retired \$48,500,000 in bond anticipation notes on August 12, 2004. These notes were retired using the proceeds from the District's \$48,499,938 bond issue on May 19, 2004.

JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1-S1 2003 C1-S1 2004	84.010	\$31,109 140,946		\$36,730 134,147	
Total Title I Grants to Local Educational Agencies			172,055		170,877	
Special Education Cluster: Special Education Grants to States	6B-PM 2003 6B-SD 2004-P 6B-SF 2004	84.027	15,757 437,691		36,454 5,251 433,593	
Total Special Education Cluster/Special Education Grants to States			453,448		475,298	
Safe and Drug-Free Schools and Communities State Grants	DR-S1 2004	84.186	15,079		15,079	
Education Technology State Grants	TJSI-2004	84.318	4,247		4,247	
Innovative Education Program Strategies	C2-S1 2003 C2-S1 2004	84.298	29,121		1,631 23,246	
Total Innovative Education Program Strategies			29,121		24,877	
English Language Acquisition Grants	T3-S1-2003 T3-S1-2004 T3-S2-2004	84.365	18,578 6,427		130 17,759 6,422	
Total English Language Acquisition Grants			25,005		24,311	
School Renovation Grant	ATS3-2002	84.352A	84			
Improving Teacher Quality State Grants	TR-S1-2004	84.367	110,215		105,896	
<i>Passed-Through Plain Local School District</i>						
Vocational Education Basic Grants to States	N/A - 2003 N/A - 2004	84.048	40,046		150 40,046	
Total Vocational Education Basic Grants to States			40,046		40,196	
Total U.S. Department of Education			849,300		860,781	
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Donation National School Lunch Program	N/A N/A	10.550 10.555	188,617	\$67,161	188,617	\$67,161
Total U.S. Department of Agriculture - Child Nutrition Cluster			188,617	67,161	188,617	67,161
Totals			\$1,037,917	\$67,161	\$1,049,398	\$67,161

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated February 11, 2005.

Internal Control Over Financial Reporting

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

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the District's management in a separate letter dated February 11, 2005.

This report is intended solely for the information and use of the audit committee, management, the Board of Education and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2005



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Jackson Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 11, 2005

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: Food Donation CFDA #10.550 and National School Lunch Program CFDA #10.555 Improving Teacher Quality State Grants, CFDA #84.367
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	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.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2005**