

Dave Yost • Auditor of State



**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Jackson Local School District  
Stark County  
7602 Fulton Dr NW  
Massillon, OH 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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As describe in Note 3b, during 2011, Jackson Local School District restated its July 1, 2010 governmental fund balances due to changes in fund structure as a result of implementing the provisions of the Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditure Schedule provides additional information 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. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Federal Awards Receipts and Expenditure Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

October 26, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities increased \$8,504,648 which represents a 26.30% increase from 2010.
- General revenues accounted for \$61,677,896 in revenue or 90.69% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$6,329,277 or 9.31% of total revenues of \$68,007,173.
- The District had \$59,502,525 in expenses related to governmental activities; \$6,329,277 of these expenses were offset by program specific charges for services and operating/capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and the debt service fund. The general fund had \$55,438,260 in revenues and other financing sources and \$48,036,925 in expenditures. The general fund's fund balance increased \$7,445,443 from \$6,669,586 to \$14,115,029.
- The debt service fund had \$7,034,419 in revenues and \$7,179,451 in expenditures. The debt service fund's fund balance decreased \$145,032 from \$5,309,894 to \$5,164,862.

**Using these Basic Financial Statements**

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

The *statement of net 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 two major funds: the general fund and debt service fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 2011?" 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 and debt service fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net 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, 2011

***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 25-58 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 at June 30, 2011 and June 30, 2010.

	<b>Net Assets</b>	
	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 72,285,557	\$ 64,162,143
Capital assets, net	<u>88,924,740</u>	<u>91,208,793</u>
Total assets	<u>161,210,297</u>	<u>155,370,936</u>
<b><u>Liabilities</u></b>		
Current liabilities	49,012,543	48,176,080
Long-term liabilities	<u>71,350,516</u>	<u>74,852,266</u>
Total liabilities	<u>120,363,059</u>	<u>123,028,346</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	25,182,568	24,224,009
Restricted	7,053,073	7,162,587
Unrestricted	<u>8,611,597</u>	<u>955,994</u>
Total net assets	<u>\$ 40,847,238</u>	<u>\$ 32,342,590</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$40,847,238.

Assets of the District increased \$5,839,361 or 3.76%. This increase can mainly be attributed to an increase in equity and pooled cash and an increase in property taxes receivable. Property taxes receivable increased due to 2<sup>nd</sup> half collections of the 4.9 mill levy passed in 2009.

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

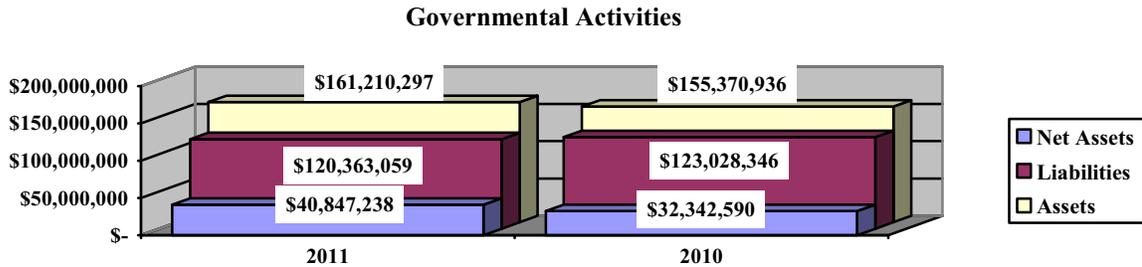
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year-end, capital assets represented 55.16% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$25,182,568. 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.

Liabilities of the District decreased \$2,665,287 or 2.17%. Current liabilities increased due to increases in accrued wages and benefits due and payable at year-end and an increase in unearned revenue related to property taxes receivable. Long-term liabilities decreased due to the retirement of roughly \$4.4 million in general obligation bonds.

A portion of the District's net assets, \$7,053,073, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$5,108,481 is restricted for debt service and \$1,292,244 is restricted for capital projects. The remaining balance of unrestricted net assets is \$8,611,597 may be used to meet the District's ongoing obligations to citizens and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

**Change in Net Assets**

	Governmental Activities 2011	Governmental Activities 2010
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,813,860	\$ 3,003,476
Operating grants and contributions	3,502,903	3,731,465
Capital grants and contributions	12,514	-
General revenues:		
Property taxes	47,023,961	40,107,267
Grants and entitlements	14,427,244	14,098,580
Payment in lieu of taxes	50,918	100,536
Investment earnings	113,768	145,834
Other	62,005	37,647
<b>Total revenues</b>	<b>68,007,173</b>	<b>61,224,805</b>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**Change in Net Assets**

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 23,900,014	\$ 24,088,044
Special	3,643,493	4,143,788
Vocational	1,101,716	950,909
Adult	59,556	69,796
Other	1,546,852	1,217,065
Support services:		
Pupil	3,811,238	2,894,701
Instructional staff	3,152,000	2,990,262
Board of education	18,784	18,064
Administration	3,151,267	3,247,222
Fiscal	1,202,669	1,117,433
Business	460,257	345,935
Operations and maintenance	5,584,039	5,884,462
Pupil transportation	3,172,753	3,187,255
Central	1,244,941	1,334,458
Operations of non-instructional services:		
Food service operations	1,879,802	1,750,527
Other non-instructional services	20,880	20,912
Extracurricular activities	2,048,421	1,936,061
Interest and fiscal charges	<u>3,503,843</u>	<u>3,729,354</u>
Total expenses	<u>59,502,525</u>	<u>58,926,248</u>
Change in net assets	8,504,648	2,298,557
Net assets at beginning of year	<u>32,342,590</u>	<u>30,044,033</u>
Net assets at end of year	<u>\$ 40,847,238</u>	<u>\$ 32,342,590</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$8,504,648. Total governmental expenses of \$59,502,525 were offset by program revenues of \$6,329,277 and general revenues of \$61,677,896. Program revenues supported 10.64% of the total governmental expenses.

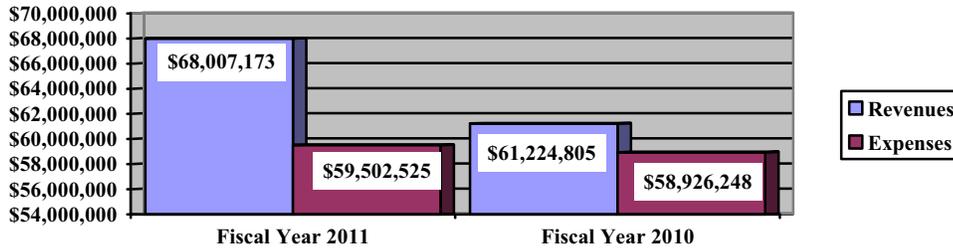
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 90.36% of total governmental revenue. The most significant increase was in the area of property taxes which increased \$6,916,694. In February 2009, the community passed a 4.9 mill, 5 year, emergency levy that generates \$6,150,000 annually. In May 2011, the District renewed its 6.4 mill, 5 year, emergency levy that generates \$8,350,000 annually for operating expenditures as a Substitute Levy. The additional income is dedicated to fund the day to day operations of the District (e.g. salaries, utilities, textbooks, transportation).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

**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 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
<b>Program expenses</b>				
Instruction:				
Regular	\$ 23,900,014	\$ 22,814,370	\$ 24,088,044	\$ 22,812,236
Special	3,643,493	2,343,611	4,143,788	2,435,795
Vocational	1,101,716	1,008,743	950,909	860,211
Adult	59,556	(9,111)	69,796	(26,527)
Other	1,546,852	1,502,853	1,217,065	1,217,065
Support services:				
Pupil	3,811,238	3,458,427	2,894,701	2,645,755
Instructional staff	3,152,000	2,763,900	2,990,262	2,555,075
Board of education	18,784	18,784	18,064	18,064
Administration	3,151,267	2,777,403	3,247,222	2,984,385
Fiscal	1,202,669	1,201,817	1,117,433	1,117,433
Business	460,257	460,257	345,935	345,935
Operations and maintenance	5,584,039	5,540,521	5,884,462	5,843,389
Pupil transportation	3,172,753	3,032,361	3,187,255	2,999,078
Central	1,244,941	1,226,291	1,334,458	1,296,906
Operations of non-instructional services:				
Food service operations	1,879,802	178,910	1,750,527	157,865
Other non-instructional services	20,880	7,735	20,912	8,412
Extracurricular activities	2,048,421	1,342,533	1,936,061	1,190,876
Interest and fiscal charges	3,503,843	3,503,843	3,729,354	3,729,354
<b>Total</b>	<u>\$ 59,502,525</u>	<u>\$ 53,173,248</u>	<u>\$ 58,926,248</u>	<u>\$ 52,191,307</u>

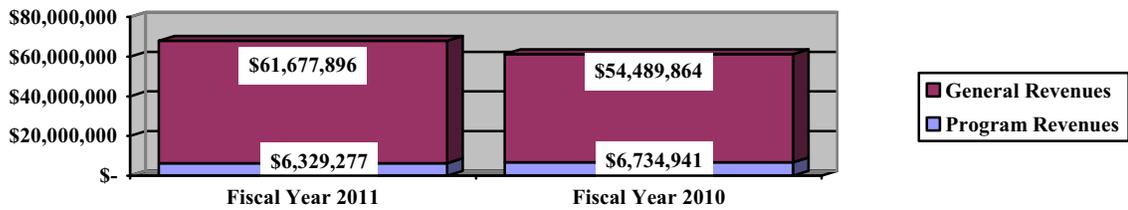
**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 91.43% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.36%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$20,984,982, which is higher than last year's total of \$13,210,990. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance <u>June 30, 2010</u>	Increase/ (Decrease)	Percentage Change
General	\$ 14,115,029	\$ 6,669,586	\$ 7,445,443	111.63 %
Debt Service	5,164,862	5,309,894	(145,032)	(2.73) %
Other Governmental	<u>1,705,091</u>	<u>1,231,510</u>	<u>473,581</u>	38.46 %
Total	<u>\$ 20,984,982</u>	<u>\$ 13,210,990</u>	<u>\$ 7,773,992</u>	58.84 %

**General Fund**

During fiscal year 2011, the District's general fund balance increased \$7,445,443.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues and</u></b>				
<b><u>Other financing sources</u></b>				
Taxes	\$ 40,477,272	\$ 33,554,693	\$ 6,922,579	20.63 %
Tuition	344,913	320,733	24,180	7.54 %
Earnings on investments	114,227	133,975	(19,748)	(14.74) %
Intergovernmental	13,456,173	13,113,719	342,454	2.61 %
Other revenues	973,963	1,327,115	(353,152)	(26.61) %
Sale of capital assets	7,620	26,661	(19,041)	(71.42) %
Insurance proceeds	<u>64,092</u>	<u>-</u>	<u>64,092</u>	100.00 %
Total	<u>\$ 55,438,260</u>	<u>\$ 48,476,896</u>	<u>\$ 6,961,364</u>	14.36 %
<b><u>Expenditures and</u></b>				
<b><u>Other financing uses</u></b>				
Instruction	\$ 26,771,091	\$ 25,794,266	\$ 976,825	3.79 %
Support services	19,409,552	18,811,388	598,164	3.18 %
Extracurricular activities	1,302,493	1,224,899	77,594	6.33 %
Non-instructional services	8,568	7,450	1,118	15.01 %
Facilities acquisition and construction	375,451	7,340	368,111	5,015.14 %
Debt service	169,770	169,770	-	- %
Transfers out	<u>-</u>	<u>5,500</u>	<u>(5,500)</u>	(100.00) %
Total	<u>\$ 48,036,925</u>	<u>\$ 46,020,613</u>	<u>\$ 2,016,312</u>	4.38 %

Overall revenues and other financing sources of the general fund increased \$6,961,364 or 14.36%. The most significant increases were in the areas of taxes and intergovernmental revenue. Taxes increased \$6,922,579 or 20.63%. This increase is the result of a 4.9 mill levy passed in 2009 as well as an increase in taxes available for advance at year-end. Advances available at year-end increased \$3,383,818. Advances from the county can vary based on when tax bills are sent out. Intergovernmental revenue increased \$342,454 or 2.61% which is the result of an increase in tangible personal property tax reimbursement received from the State. The most significant decreases were in the areas of earnings on investments which decreased \$19,748 or 14.74%. This decrease is primarily due to a decrease in interest rates earned on investments. The decrease of \$353,152 in other revenue is the result of the District no longer charging for All Day Every Day Kindergarten.

Expenditures and other financing uses increased \$2,016,312 or 4.38%. Instruction and support services increased \$976,825 and \$598,164, respectively. These increases are due mainly to increases in wages and benefits paid to employees of the District.

***Debt Service Fund***

During fiscal year 2011, the District's debt service fund balance decreased \$145,032 due to scheduled principal and interest payments on the District's bonds exceeding tax collections.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

	<u>2011</u> <u>Amount</u>	<u>2010</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,090,652	\$ 5,250,882	\$ 839,770	15.99 %
Intergovernmental	937,021	916,198	20,823	2.27 %
Payment in lieu of taxes	<u>6,746</u>	<u>12,472</u>	<u>(5,726)</u>	100.00 %
Total	<u>\$ 7,034,419</u>	<u>\$ 6,179,552</u>	<u>\$ 854,867</u>	13.83 %
<b><u>Expenditures</u></b>				
Fiscal	\$ 90,995	\$ 87,127	\$ 3,868	4.44 %
Debt Service:				
Principal	4,460,000	4,080,000	380,000	9.31 %
Interest and fiscal charges	<u>2,628,456</u>	<u>2,709,964</u>	<u>(81,508)</u>	(3.01) %
Total	<u>\$ 7,179,451</u>	<u>\$ 6,877,091</u>	<u>\$ 302,360</u>	4.40 %

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$51,554,897 were \$813,013 higher than the original budgeted revenues estimate of \$50,741,884. Actual revenue and other financing sources of \$51,601,311 were \$46,414 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$47,369,790 were \$247,279 lower than final appropriations (appropriated expenditures plus other financing uses) of \$47,617,069 and \$152,220 higher than original appropriations of \$47,217,570.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2011, the District had \$88,924,740 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table that follows shows June 30, 2011 balances compared to June 30, 2010:

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

	Governmental Activities	
	2011	2010
Land	\$ 2,457,911	\$ 2,457,911
Land improvements	3,468,459	3,825,774
Buildings and improvements	80,887,366	82,968,979
Furniture and equipment	1,204,280	1,331,111
Vehicles	742,565	625,018
Construction in progress	164,159	-
Total	\$ 88,924,740	\$ 91,208,793

The overall decrease of \$2,284,053 is the result of depreciation expense of \$3,454,328 and disposals (net of accumulated depreciation) of \$64,775 exceeding capital asset additions of \$1,235,050.

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

***Debt Administration***

At June 30, 2011 the District had \$65,200,184 in general obligation bonds and capital leases outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$4,540,350 is due within one year and \$60,659,834 is due within greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table below summarizes the bonds and capital leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
Current interest bonds - 2007	\$ 38,465,000	\$ 38,835,000
Capital appreciation bonds - 2007	2,678,567	2,217,309
Current interest bonds - 2005A	2,850,000	2,850,000
Capital appreciation bonds - 2005A	-	1,287,579
Current interest bonds - 2005B	14,590,000	15,155,000
Capital appreciation bonds - 2005B	3,101,923	2,786,253
Current interest bonds - 2004	3,485,000	3,485,000
Capital appreciation bonds - 2004	-	1,033,236
Current interest bonds - 2000	-	1,045,000
Capital leases	<u>29,694</u>	<u>185,251</u>
Total	<u>\$ 65,200,184</u>	<u>\$ 68,879,628</u>

At June 30, 2011, the District's overall legal debt margin was \$56,313,248 with an unvoted debt margin of \$1,259,425.

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

**Current Financial Related Activities**

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

The Jackson Local School District continues to receive strong support from the residents of the District. In May 2011, the District renewed its 6.4 mill, 5 year, emergency levy that generates \$8,350,000 annually for operating expenditures as a Substitute Levy. The Substitute Levy will allow the District to potentially receive additional tax revenue from new construction within the District. The District also receives tax revenue from a 4.9 mill, 5 year, emergency levy, passed in February 2009, which generates \$6,150,000 annually for operating expenditures. The District relies heavily on local property taxes as well as community support of levies to fund its operations. Seventy-five percent of the District's total revenue is received from local sources, twenty-one percent from State sources and four percent from federal sources.

The financial picture of the District looks stable over the next three to four years. However, the uncertainty of school funding from the State remains a concern for the District. The District is monitoring all funding scenarios and prudently providing the necessary resources to maintain our current designation of Excellence in both curricular and extra-curricular programs.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

During fiscal year 2011, the District received the State's designation, "Excellent" having met 26 out of 26 state indicators. The District has received the "Excellent" designation for 11 consecutive years. The District's Performance Index of 108.3 is an improvement versus last year's index of 107.3. The District is ranked 18<sup>th</sup> in the State of Ohio.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Linda Paris, Treasurer, Jackson Local School District, 7602 Fulton Drive NW, Massillon, Ohio 44646.

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

STATEMENT OF NET ASSETS  
JUNE 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 22,170,751
Receivables:	
Property taxes . . . . .	48,717,555
Payment in lieu of taxes . . . . .	101,838
Accounts . . . . .	55,769
Accrued interest . . . . .	37,345
Intergovernmental . . . . .	383,002
Prepayments . . . . .	34,068
Materials and supplies inventory . . . . .	208,542
Unamortized bond issuance costs . . . . .	576,687
Capital assets:	
Land and construction in progress . . . . .	2,622,070
Depreciable capital assets, net . . . . .	86,302,670
Capital assets, net . . . . .	88,924,740
 Total assets . . . . .	 161,210,297
 <b>Liabilities:</b>	
Accounts payable . . . . .	127,711
Accrued wages and benefits . . . . .	4,891,059
Pension obligation payable . . . . .	1,223,200
Intergovernmental payable . . . . .	306,952
Unearned revenue . . . . .	42,262,948
Accrued interest payable . . . . .	200,673
Long-term liabilities:	
Due within one year . . . . .	5,141,371
Due in more than one year . . . . .	66,209,145
 Total liabilities . . . . .	 120,363,059
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	25,182,568
Restricted for:	
Capital projects . . . . .	1,292,244
Debt service . . . . .	5,108,481
Locally funded programs . . . . .	2,658
State funded programs . . . . .	252,744
Student activities . . . . .	324,484
Other purposes . . . . .	72,462
Unrestricted . . . . .	8,611,597
 Total net assets . . . . .	 \$ 40,847,238

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, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 23,900,014	\$ 613,493	\$ 459,637	\$ 12,514	\$ (22,814,370)
Special . . . . .	3,643,493	70,539	1,229,343	-	(2,343,611)
Vocational . . . . .	1,101,716	61,992	30,981	-	(1,008,743)
Adult/continuing. . . . .	59,556	68,667	-	-	9,111
Other . . . . .	1,546,852	-	43,999	-	(1,502,853)
Support services:					
Pupil. . . . .	3,811,238	77,768	275,043	-	(3,458,427)
Instructional staff . . . . .	3,152,000	4,606	383,494	-	(2,763,900)
Board of education . . . . .	18,784	-	-	-	(18,784)
Administration. . . . .	3,151,267	649	373,215	-	(2,777,403)
Fiscal. . . . .	1,202,669	-	852	-	(1,201,817)
Business. . . . .	460,257	-	-	-	(460,257)
Operations and maintenance . . . . .	5,584,039	38,477	5,041	-	(5,540,521)
Pupil transportation. . . . .	3,172,753	11,653	128,739	-	(3,032,361)
Central . . . . .	1,244,941	-	18,650	-	(1,226,291)
Operation of non-instructional services:					
Other non-instructional services . . . . .	20,880	-	13,145	-	(7,735)
Food service operations . . . . .	1,879,802	1,251,812	449,080	-	(178,910)
Extracurricular activities. . . . .	2,048,421	614,204	91,684	-	(1,342,533)
Interest and fiscal charges . . . . .	3,503,843	-	-	-	(3,503,843)
<b>Totals . . . . .</b>	<b>\$ 59,502,525</b>	<b>\$ 2,813,860</b>	<b>\$ 3,502,903</b>	<b>\$ 12,514</b>	<b>(53,173,248)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					39,800,981
Debt service. . . . .					6,005,662
Capital projects. . . . .					1,217,318
Grants and entitlements not restricted to specific programs . . . . .					14,427,244
Payment in lieu of taxes . . . . .					50,918
Investment earnings . . . . .					113,768
Miscellaneous . . . . .					62,005
<b>Total general revenues . . . . .</b>					<b>61,677,896</b>
Change in net assets . . . . .					8,504,648
<b>Net assets at beginning of year. . . . .</b>					<b>32,342,590</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 40,847,238</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 15,852,690	\$ 4,448,066	\$ 1,869,995	\$ 22,170,751
Receivables:				
Property taxes . . . . .	42,042,072	5,616,839	1,058,644	48,717,555
Payment in lieu of taxes . . . . .	85,700	13,492	2,646	101,838
Accounts . . . . .	49,239	-	6,530	55,769
Accrued interest . . . . .	37,345	-	-	37,345
Interfund loans . . . . .	7,550	-	-	7,550
Intergovernmental . . . . .	26,692	-	356,310	383,002
Prepayments . . . . .	34,068	-	-	34,068
Materials and supplies inventory . . . . .	189,189	-	19,353	208,542
Total assets . . . . .	<u>\$ 58,324,545</u>	<u>\$ 10,078,397</u>	<u>\$ 3,313,478</u>	<u>\$ 71,716,420</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 105,840	\$ -	\$ 21,871	\$ 127,711
Accrued wages and benefits . . . . .	4,626,151	-	264,908	4,891,059
Compensated absences payable . . . . .	249,247	-	5,771	255,018
Retirement incentive payable . . . . .	175,000	-	-	175,000
Interfund loans payable . . . . .	-	-	7,550	7,550
Intergovernmental payable . . . . .	295,342	-	11,610	306,952
Unearned revenue . . . . .	36,586,852	4,769,243	906,853	42,262,948
Deferred revenue . . . . .	1,050,812	144,292	286,896	1,482,000
Pension obligation payable . . . . .	1,120,272	-	102,928	1,223,200
Total liabilities . . . . .	<u>44,209,516</u>	<u>4,913,535</u>	<u>1,608,387</u>	<u>50,731,438</u>
<b>Fund Balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	189,189	-	19,353	208,542
Prepays . . . . .	34,068	-	-	34,068
Unclaimed monies . . . . .	16,366	-	-	16,366
Restricted:				
Debt service . . . . .	-	5,164,862	-	5,164,862
Capital improvements . . . . .	-	-	1,263,952	1,263,952
Food service operations . . . . .	-	-	108,316	108,316
Other purposes . . . . .	-	-	2,658	2,658
Extracurricular activities . . . . .	-	-	324,484	324,484
Assigned:				
Student instruction . . . . .	76,067	-	-	76,067
Student and staff support . . . . .	389,477	-	-	389,477
Extracurricular activities . . . . .	3,939	-	-	3,939
Facilities acquisition and construction . . . . .	3,552	-	-	3,552
Uniform school supplies . . . . .	1,156	-	-	1,156
Adult education . . . . .	46,705	-	-	46,705
Other purposes . . . . .	65,872	-	-	65,872
Unassigned (deficit) . . . . .	13,288,638	-	(13,672)	13,274,966
Total fund balances . . . . .	<u>14,115,029</u>	<u>5,164,862</u>	<u>1,705,091</u>	<u>20,984,982</u>
Total liabilities and fund balances . . . . .	<u>\$ 58,324,545</u>	<u>\$ 10,078,397</u>	<u>\$ 3,313,478</u>	<u>\$ 71,716,420</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, 2011

<b>Total governmental fund balances</b>		\$	20,984,982
<i>Amounts reported for governmental activities on 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.			88,924,740
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	1,170,841	
Accrued interest receivable		25,863	
Intergovernmental receivable		285,296	
Total		1,482,000	1,482,000
Unamortized bond issuance costs are not recognized in the funds.			576,687
Unamortized premiums on bond issuance costs are not recognized in the funds.			(3,726,418)
Unamortized amounts on refundings are not recognized in the funds.			2,213,829
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(200,673)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(65,170,490)	
Capital lease obligations		(29,694)	
Compensated absences		(4,207,725)	
Total		(69,407,909)	(69,407,909)
<b>Net assets of governmental activities</b>		\$	40,847,238

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, 2011

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 40,477,272	\$ 6,090,652	\$ 1,237,801	\$ 47,805,725
Payment in lieu of taxes . . . . .	42,850	6,746	1,322	50,918
Tuition . . . . .	344,913	-	-	344,913
Transportation fees . . . . .	11,653	-	-	11,653
Earnings on investments . . . . .	114,227	-	380	114,607
Charges for services . . . . .	-	-	1,265,863	1,265,863
Extracurricular . . . . .	251,307	-	465,802	717,109
Classroom materials and fees . . . . .	211,578	-	27,300	238,878
Rental income . . . . .	24,303	-	-	24,303
Contributions and donations . . . . .	62,231	-	68,908	131,139
Contract services . . . . .	211,141	-	-	211,141
Other local revenues . . . . .	158,900	-	22,075	180,975
Intergovernmental - intermediate . . . . .	32,823	-	-	32,823
Intergovernmental - state . . . . .	13,331,712	937,021	253,898	14,522,631
Intergovernmental - federal . . . . .	91,638	-	2,773,962	2,865,600
<b>Total revenues . . . . .</b>	<b>55,366,548</b>	<b>7,034,419</b>	<b>6,117,311</b>	<b>68,518,278</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,944,236	-	179,135	22,123,371
Special . . . . .	2,369,142	-	1,160,859	3,530,001
Vocational . . . . .	913,139	-	-	913,139
Adult/continuing . . . . .	59,556	-	-	59,556
Other . . . . .	1,485,018	-	39,037	1,524,055
Support services:				
Pupil . . . . .	3,465,441	-	264,000	3,729,441
Instructional staff . . . . .	2,737,338	-	272,997	3,010,335
Board of education . . . . .	18,784	-	-	18,784
Administration . . . . .	2,734,817	-	331,151	3,065,968
Fiscal . . . . .	1,064,606	90,995	18,533	1,174,134
Business . . . . .	426,497	-	-	426,497
Operations and maintenance . . . . .	4,854,200	-	45,459	4,899,659
Pupil transportation . . . . .	2,913,014	-	297,560	3,210,574
Central . . . . .	1,194,855	-	20,404	1,215,259
Operation of non-instructional services:				
Other non-instructional services . . . . .	8,568	-	12,312	20,880
Food service operations . . . . .	-	-	1,650,929	1,650,929
Extracurricular activities . . . . .	1,302,493	-	543,694	1,846,187
Facilities acquisition and construction . . . . .	375,451	-	795,747	1,171,198
Debt service:				
Principal retirement . . . . .	155,557	4,460,000	-	4,615,557
Interest and fiscal charges . . . . .	14,213	2,628,456	-	2,642,669
<b>Total expenditures . . . . .</b>	<b>48,036,925</b>	<b>7,179,451</b>	<b>5,631,817</b>	<b>60,848,193</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	7,329,623	(145,032)	485,494	7,670,085
<b>Other financing sources:</b>				
Sale of capital assets . . . . .	7,620	-	-	7,620
Insurance proceeds . . . . .	64,092	-	-	64,092
<b>Total other financing sources . . . . .</b>	<b>71,712</b>	<b>-</b>	<b>-</b>	<b>71,712</b>
Net change in fund balances . . . . .	7,401,335	(145,032)	485,494	7,741,797
<b>Fund balances at beginning of year (restated).</b>	<b>6,669,586</b>	<b>5,309,894</b>	<b>1,231,510</b>	<b>13,210,990</b>
<b>Increase (decrease) in reserve for inventory .</b>	<b>44,108</b>	<b>-</b>	<b>(11,913)</b>	<b>32,195</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 14,115,029</b>	<b>\$ 5,164,862</b>	<b>\$ 1,705,091</b>	<b>\$ 20,984,982</b>

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, 2011

**Net change in fund balances - total governmental funds** \$ 7,741,797

*Amounts reported for governmental activities in the statement of activities are different because:*

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 exceeds capital outlays in the current period.

Capital asset additions	\$ 1,222,536	
Current year depreciation	(3,454,328)	
Total		(2,231,792)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. The District received \$12,514 in capital contributions and recorded \$64,775 in disposals (net of accumulated depreciation).

(52,261)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

32,195

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(781,764)	
Earnings on investments	(459)	
Intergovernmental	262,900	
Total		(519,323)

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. Principal payments during the year were:

Bonds	4,460,000	
Capital leases	155,557	
Total		4,615,557

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Increase in accrued interest payable	(8,719)	
Accreted interest on capital appreciation bonds	(936,113)	
Amortization of bond issuance costs	(68,849)	
Amortization of bond premiums	420,535	
Amortization of deferred charges	(268,028)	
Total		(861,174)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(220,351)

**Change in net assets of governmental activities** **\$ 8,504,648**

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, 2011

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 36,490,963	\$ 37,092,905	\$ 37,093,454	\$ 549
Payment in lieu of taxes . . . . .	85,442	85,442	85,442	-
Tuition . . . . .	235,800	268,173	276,246	8,073
Transportation fees . . . . .	12,000	11,518	11,653	135
Earnings on investments . . . . .	150,000	98,472	98,646	174
Extracurricular . . . . .	130,645	130,645	130,260	(385)
Classroom materials and fees . . . . .	197,720	163,925	165,453	1,528
Rental income . . . . .	23,000	23,803	24,303	500
Contributions and donations . . . . .	7,000	6,707	7,207	500
Contract services . . . . .	50,000	67,140	142,941	75,801
Other local revenues . . . . .	40,000	38,820	39,194	374
Intergovernmental - intermediate . . . . .	30,000	873	873	-
Intergovernmental - state . . . . .	13,202,889	13,374,641	13,331,712	(42,929)
Intergovernmental - federal . . . . .	53,000	89,473	91,638	2,165
<b>Total revenues . . . . .</b>	<b>50,708,459</b>	<b>51,452,537</b>	<b>51,499,022</b>	<b>46,485</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,849,200	21,720,987	21,686,825	34,162
Special . . . . .	2,199,841	2,297,126	2,290,785	6,341
Vocational . . . . .	773,187	832,365	822,144	10,221
Other . . . . .	1,386,820	1,451,825	1,450,696	1,129
Support services:				
Pupil . . . . .	2,910,464	3,212,783	3,197,786	14,997
Instructional staff . . . . .	2,718,450	2,739,963	2,714,726	25,237
Board of education . . . . .	20,101	20,000	18,740	1,260
Administration . . . . .	2,857,988	2,826,362	2,794,677	31,685
Fiscal . . . . .	1,057,488	1,076,254	1,065,338	10,916
Business . . . . .	487,186	466,629	454,471	12,158
Operations and maintenance . . . . .	5,138,709	4,978,169	4,964,814	13,355
Pupil transportation . . . . .	2,946,499	2,969,108	2,926,868	42,240
Central . . . . .	1,380,467	1,346,632	1,327,538	19,094
Operation of non-instructional services . . . . .	8,443	9,900	8,284	1,616
Extracurricular activities . . . . .	1,141,574	1,262,916	1,249,008	13,908
Facilities acquisition and construction . . . . .	328,653	391,425	386,343	5,082
<b>Total expenditures . . . . .</b>	<b>47,205,070</b>	<b>47,602,444</b>	<b>47,359,043</b>	<b>243,401</b>
Excess of revenues over expenditures . . . . .	3,503,389	3,850,093	4,139,979	289,886
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	12,000	26,223	26,223	-
Refund of prior year's receipts . . . . .	(2,000)	(2,000)	(197)	1,803
Transfers (out) . . . . .	(6,500)	(6,500)	-	6,500
Advances in . . . . .	4,425	4,425	4,425	-
Advances (out) . . . . .	(4,000)	(6,125)	(10,550)	(4,425)
Insurance proceeds . . . . .	-	-	64,021	64,021
Sale of capital assets . . . . .	17,000	71,712	7,620	(64,092)
<b>Total other financing sources (uses) . . . . .</b>	<b>20,925</b>	<b>87,735</b>	<b>91,542</b>	<b>3,807</b>
Net change in fund balance . . . . .	3,524,314	3,937,828	4,231,521	293,693
<b>Fund balance at beginning of year (restated)</b>	<b>10,363,083</b>	<b>10,363,083</b>	<b>10,363,083</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>477,515</b>	<b>477,515</b>	<b>477,515</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 14,364,912</b>	<b>\$ 14,778,426</b>	<b>\$ 15,072,119</b>	<b>\$ 293,693</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2011

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 45,504	\$ 139,094
Receivables:		
Accounts . . . . .	-	328
Total assets. . . . .	45,504	\$ 139,422
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,877
Due to students. . . . .	-	137,545
Total liabilities . . . . .	-	\$ 139,422
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	45,504	
Total net assets . . . . .	\$ 45,504	

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, 2011

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 83
Gifts and contributions . . . . .	13,006
Total additions . . . . .	13,089
<b>Deductions:</b>	
Scholarships awarded . . . . .	16,776
Change in net assets . . . . .	(3,687)
<b>Net assets at beginning of year . . . . .</b>	<b>49,191</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 45,504</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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 51<sup>st</sup> largest by total enrollment among the 918 public and community school districts in the State and 3<sup>rd</sup> largest in Stark County. The District employs 281 non-certified and 360 certified employees to provide services to 5,835 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

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

*PUBLIC ENTITY RISK POOLS*

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

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

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

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

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

Stark County Tax Incentive Review Council (SCTIRC)

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

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes in governmental funds due at June 30, 2011 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

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

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposits, federal agency securities 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 nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$114,227, which includes \$39,780 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Description	Governmental Activities Estimated Lives
Land improvements	15 - 20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

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

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

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

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

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

**N. Net Assets**

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

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

**O. Prepayments**

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2011, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**B. Fund Reclassifications**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 6,234,683	\$ 5,309,894	\$ 1,666,413	\$ 13,210,990
Fund reclassifications:				
Special trust fund	16,100	-	(16,100)	-
Uniform school supplies fund	(1,798)	-	1,798	-
Rotary fund	72,637	-	(72,637)	-
Adult education fund	37,594	-	(37,594)	-
Public school support fund	<u>310,370</u>	<u>-</u>	<u>(310,370)</u>	<u>-</u>
Total fund reclassifications	<u>434,903</u>	<u>-</u>	<u>(434,903)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 6,669,586</u>	<u>\$ 5,309,894</u>	<u>\$ 1,231,510</u>	<u>\$ 13,210,990</u>

The fund reclassifications did not have an effect on net assets as previously reported.

**C. Budgetary Prior Period Adjustment**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

**Budgetary Basis**

	<u>General Fund</u>
Balance at June 30, 2010	\$ 10,378,967
Funds budgeted elsewhere	<u>(15,884)</u>
Restated balance at July 1, 2010	<u>\$ 10,363,083</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**D. Deficit Fund Balances**

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 2,280
IDEA Part-B	265
Vocational education	144
Title II-D	5
Title I	8,845
Improving teacher quality	2,133

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 for all of the above funds except the race to the top fund resulted from adjustments for accrued liabilities. The deficit fund balance in the race to the top fund resulted from reporting short-term interfund loans as a fund liability rather than as an other financing source and from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,588 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2011, the carrying amount of all District deposits was \$17,767,123. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$13,833,408 of the District's bank balance of \$18,083,408 was exposed to custodial risk as discussed below, while \$4,250,000 was covered by the FDIC.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C Investments**

As of June 30, 2011 the District had the following investments and maturities:

Investment type	Fair Value	Investment Maturities	
		6 months or less	Greater Than 24 months
FNMA	\$ 2,001,751	\$ -	\$ 2,001,751
FHLMC	2,507,038	-	2,507,038
STAR Ohio	76,849	76,849	-
Total	<u>\$ 4,585,638</u>	<u>\$ 76,849</u>	<u>\$ 4,508,789</u>

The weighted average of maturity of investments is 3.44 years.

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

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 2,001,751	43.65
FHLMC	2,507,038	54.67
STAR Ohio	76,849	1.68
Total	<u>\$ 4,585,638</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 17,767,123
Investments	4,585,638
Cash on hand	<u>2,588</u>
Total	<u>\$ 22,355,349</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 22,170,751
Private-purpose trust funds	45,504
Agency funds	<u>139,094</u>
Total	<u>\$ 22,355,349</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2011 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 7,550

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, 2011 are reported on the statement of net assets.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Stark and Summit Counties. The County Auditor/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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$4,542,663 in the general fund \$716,796, in the debt service fund and \$140,990 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$1,158,845 in the general fund, \$169,252 in the debt service fund and \$36,014 in the permanent improvement fund (a nonmajor governmental fund).

The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,223,064,230	97.27	\$ 1,224,650,900	97.18
Public utility personal	33,703,900	2.68	34,774,380	2.76
Tangible personal property	<u>686,147</u>	<u>0.05</u>	<u>721,910</u>	<u>0.06</u>
Total	<u>\$ 1,257,454,277</u>	<u>100.00</u>	<u>\$ 1,260,147,190</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$47.00		\$47.30	
Permanent improvements	1.00		1.00	
Bond	4.70		4.80	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Property taxes	\$ 48,717,555
Payment in lieu of taxes	101,838
Accounts	55,769
Accrued interest	37,345
Intergovernmental	<u>383,002</u>
Total	<u>\$ 49,295,509</u>

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 8 - CAPITAL ASSETS**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,457,911	\$ -	\$ -	\$ 2,457,911
Construction in progress	<u>-</u>	<u>164,159</u>	<u>-</u>	<u>164,159</u>
Total capital assets, not being depreciated	<u>2,457,911</u>	<u>164,159</u>	<u>-</u>	<u>2,622,070</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	6,996,868	17,641	(20,000)	6,994,509
Building and improvements	107,650,882	567,778	-	108,218,660
Furniture and equipment	4,091,191	160,985	(131,427)	4,120,749
Vehicles	<u>4,941,889</u>	<u>324,487</u>	<u>(111,525)</u>	<u>5,154,851</u>
Total capital assets, being depreciated	<u>123,680,830</u>	<u>1,070,891</u>	<u>(262,952)</u>	<u>124,488,769</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(3,171,094)	(355,873)	917	(3,526,050)
Building and improvements	(24,681,903)	(2,649,391)	-	(27,331,294)
Furniture and equipment	(2,760,080)	(242,124)	85,735	(2,916,469)
Vehicles	<u>(4,316,871)</u>	<u>(206,940)</u>	<u>111,525</u>	<u>(4,412,286)</u>
Total accumulated depreciation	<u>(34,929,948)</u>	<u>(3,454,328)</u>	<u>198,177</u>	<u>(38,186,099)</u>
Governmental activities capital assets, net	<u>\$ 91,208,793</u>	<u>\$ (2,219,278)</u>	<u>\$ (64,775)</u>	<u>\$ 88,924,740</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 1,984,323
Special	88,548
Vocational	184,364

Support services:

Pupil	52,233
Instructional staff	118,606
Administration	70,711
Fiscal	23,564
Business	13,786
Operations and maintenance	257,806
Pupil transportation	225,268
Central	22,823
Extracurricular activities	199,220
Food service operations	<u>213,076</u>
Total depreciation expense	<u>\$ 3,454,328</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copiers 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.

Computer equipment in the amount of \$491,207 has not been capitalized since the assets do not meet the District's capitalization threshold. There are no further obligations on this capital lease.

Capital assets consisting of equipment have been capitalized in the amount of \$127,512. Accumulated depreciation on these assets was \$114,761, resulting in a carrying value of \$12,751. 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 2011 totaled \$155,557 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, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 30,996
Total minimum lease payments	<u>30,996</u>
Less: amount representing interest	<u>(1,302)</u>
Total	<u>\$ 29,694</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2011, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2011</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 68,694,377	\$ 936,113	\$ (4,460,000)	\$ 65,170,490	\$ 4,510,656
Capital lease obligations	185,251	-	(155,557)	29,694	29,694
Retirement incentive	-	175,000	-	175,000	175,000
Compensated absences	<u>4,307,542</u>	<u>564,567</u>	<u>(409,366)</u>	<u>4,462,743</u>	<u>426,021</u>
Total	<u>\$ 73,187,170</u>	<u>\$ 1,675,680</u>	<u>\$ (5,024,923)</u>	69,837,927	<u>\$ 5,141,371</u>
Less: deferred charge on refunding				(2,213,829)	
Add: unamortized premium				<u>3,726,418</u>	
Total on statement of net assets				<u>\$ 71,350,516</u>	

General Obligation Bonds: See Note 10.B-10.F for more details.

Capital Lease Obligations: See Note 9 for details.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

During fiscal year 2005, \$19,045,000, of the current interest bonds were refunded. The District paid \$1,045,000 in principal on the current interest bonds during fiscal year 2011. At June 30, 2011, there were no further obligation outstanding on this issuance.

Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2010.

The following is a schedule of activity for fiscal year 2011 on the Series 2000 general obligation bond:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>
Current interest bonds -				
Series 2000	\$ 1,045,000	\$ -	\$(1,045,000)	\$ -

- C. Series 2004 General Obligation Bonds:** On May 19, 2004, the District issued general obligation bonds to provide funds for improvements to school facilities. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net 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 \$1,274,938. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds matured on December 1, 2010 (stated interest rate 16.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

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

The following is a schedule of activity for fiscal year 2011 on the Series 2004 general obligations:

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
Series 2004	\$ 3,485,000	\$ -	\$ -	\$ 3,485,000
Capital appreciation bonds -				
Series 2004	390,365	-	(390,365)	-
Capital appreciation bonds -				
Accreted interest	<u>642,871</u>	<u>86,764</u>	<u>(729,635)</u>	<u>-</u>
Total G.O. bonds	<u>\$ 4,518,236</u>	<u>\$ 86,764</u>	<u>\$(1,120,000)</u>	<u>\$ 3,485,000</u>

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

Fiscal Year Ending	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,120,000	\$ 115,600	\$ 1,235,600
2013	1,160,000	71,400	1,231,400
2014	<u>1,205,000</u>	<u>24,100</u>	<u>1,229,100</u>
Total	<u>\$ 3,485,000</u>	<u>\$ 211,100</u>	<u>\$ 3,696,100</u>

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

The refunding issue is comprised of both current interest bonds, par value \$6,015,000, and capital appreciation bonds, par value \$1,424,952. The remaining capital appreciation bonds matured December 1, 2010 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2011 on the Series 2005A refunding bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
Series 2005 A refunding bonds	\$ 2,850,000	\$ -	\$ -	\$ 2,850,000
Capital appreciation bonds -				
Series 2005 A refunding bonds	692,322	-	(692,322)	-
Capital appreciation bonds -				
Accreted interest	<u>595,257</u>	<u>72,421</u>	<u>(667,678)</u>	<u>-</u>
<b>Total G.O. bonds</b>	<b><u>\$ 4,137,579</u></b>	<b><u>\$ 72,421</u></b>	<b><u>\$ (1,360,000)</u></b>	<b><u>\$ 2,850,000</u></b>

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

Fiscal Year Ending	Current Interest Bonds		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,385,000	\$ 75,538	\$ 1,460,538
2013	1,455,000	25,837	1,480,837
2014	<u>10,000</u>	<u>188</u>	<u>10,188</u>
Total	<b><u>\$ 2,850,000</u></b>	<b><u>\$ 101,563</u></b>	<b><u>\$ 2,951,563</u></b>

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

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. The capital appreciation bonds mature December 1, 2011 (stated interest rate 10.994%) and December 1, 2012 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,450,000. Total accreted interest of \$1,492,007 on the capital appreciation bonds has been included on the statement of net assets at June 30, 2011.

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, 2019.

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2011 on the Series 2005B refunding bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
Series 2005 B refunding bonds	\$ 15,155,000	\$ -	\$ (565,000)	\$ 14,590,000
Capital appreciation bonds -				
Series 2005 B refunding bonds	1,609,916	-	-	1,609,916
Capital appreciation bonds -				
Accreted interest	<u>1,176,337</u>	<u>315,670</u>	<u>-</u>	<u>1,492,007</u>
Total G.O. bonds	<u>\$ 17,941,253</u>	<u>\$ 315,670</u>	<u>\$ (565,000)</u>	<u>\$ 17,691,923</u>

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

Fiscal Year Ending June 30,	<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>
2012	\$ -	\$ 729,500	\$ 729,500	\$ 841,132	\$ 868,868	\$ 1,710,000
2013	-	729,500	729,500	768,784	971,216	1,740,000
2014	1,880,000	682,500	2,562,500	-	-	-
2015	2,005,000	585,375	2,590,375	-	-	-
2016	2,140,000	481,750	2,621,750	-	-	-
2017 - 2020	<u>8,565,000</u>	<u>802,375</u>	<u>9,367,375</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,590,000</u>	<u>\$ 4,011,000</u>	<u>\$ 18,601,000</u>	<u>\$ 1,609,916</u>	<u>\$ 1,840,084</u>	<u>\$ 3,450,000</u>

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

The refunding issue is comprised of both current interest bonds, par value \$40,295,000, and capital appreciation bonds, par value \$1,199,973. The interest rates on the current interest bonds range from 3.58% to 4.38%. The capital appreciation bonds mature on December 1, 2014 (effective interest rate 19.043%), December 1, 2015 (effective interest rate 19.048%), December 1, 2016 (effective interest rate 19.052%) and December 1, 2017 (effective interest rate 19.055%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$6,740,000. Total accreted interest of \$1,478,594 has been included on the statement of net assets. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2011 on the Series 2007 refunding bonds:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>
Current interest bonds -				
Series 2007 refunding bonds	\$ 38,835,000	\$ -	\$ (370,000)	\$ 38,465,000
Capital appreciation bonds -				
Series 2007 refunding bonds	1,199,973	-	-	1,199,973
Capital appreciation bonds -				
Accreted interest	<u>1,017,336</u>	<u>461,258</u>	<u>-</u>	<u>1,478,594</u>
<b>Total G.O. bonds</b>	<b><u>\$ 41,052,309</u></b>	<b><u>\$ 461,258</u></b>	<b><u>\$ (370,000)</u></b>	<b><u>\$ 41,143,567</u></b>

The reacquisition price exceeded the net carrying amount of the old debt by \$2,323,230. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 385,000	\$ 1,611,992	\$ 1,996,992	\$ -	\$ -	\$ -
2013	400,000	1,596,292	1,996,292	-	-	-
2014	415,000	1,579,992	1,994,992	-	-	-
2015	-	1,571,692	1,571,692	389,757	1,295,243	1,685,000
2016	-	1,571,692	1,571,692	322,509	1,362,491	1,685,000
2017 - 2021	5,260,000	7,548,260	12,808,260	487,707	2,882,293	3,370,000
2022 - 2026	10,300,000	5,759,938	16,059,938	-	-	-
2027 - 2031	12,710,000	3,305,918	16,015,918	-	-	-
2032 - 2034	<u>8,995,000</u>	<u>719,633</u>	<u>9,714,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 38,465,000</u></b>	<b><u>\$ 25,265,409</u></b>	<b><u>\$ 63,730,409</u></b>	<b><u>\$ 1,199,973</u></b>	<b><u>\$ 5,540,027</u></b>	<b><u>\$ 6,740,000</u></b>

**G. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$56,313,248 (including available funds of \$5,164,862) and an unvoted debt margin of \$1,259,425.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**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. Non-certified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators are employed to work no more than 226 days per year. Teachers, administrators and non-certified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 350 days for both non-certified and certified employees. Upon retirement, non-certified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days. Upon retirement, non-certified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 70 days for certified employees and 69 days for classified employees. In addition, certified employees shall be paid \$10 per day for every day of sick leave accumulated from 200 to 300 days and \$20 per day from 301 days up to a maximum of 350 days.

**B. Retirement Incentive**

A one-time retirement bonus in the amount of \$25,000 will be available to certified employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. If the member fails to take the incentive when first eligible, he/she forfeits the incentive. During fiscal year 2011, seven employees took advantage of this incentive.

**C. Life Insurance**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles for which the policy period was September 1, 2010 through September 1, 2011. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Ohio Casualty		
Each occurrence		\$1,000,000	\$ 0
Aggregate		2,000,000	0
Products/Complete Operations Aggregate		2,000,000	0
Building and contents	Ohio Casualty	Replacement cost	5,000
Fleet:	Ohio Casualty		
Auto only		1,000,000	0
Uninsured Motorist		50,000	0
Comprehensive			250
Collision			500
Umbrella liability	Ohio Casualty	6,000,000	0
Aggregate		6,000,000	10,000 Retention
Employee Benefits Liability	Ohio Casualty		
Each occurrence		1,000,000	1,000
Aggregate		3,000,000	0
School leaders errors and omissions liability	Ohio Casualty		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	0
School law enforcement liability	Ohio Casualty		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	0
Sexual misconduct and molestation liability	Ohio Casualty		
Each occurrence		1,000,000	0
Aggregate		1,000,000	0
Employers Stop GAP Liability	Ohio Casualty	1,000,000	0
Bodily Injury by Accident/ Each Accident Limit		1,000,000	0
Bodily Injury by Disease/ Policy Limit		1,000,000	0
Bodily Injury by Disease/ Each Employee Limit		1,000,000	0
Aggregate Limit		2,000,000	0

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**B. Shared Risk Pool**

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of a 42 member council of which 27 are member school Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,247.90 for family coverage and \$513.70 for single coverage per employee per month. The District pays dental premiums of \$160.91 for family coverage and \$65.22 for single coverage per employee per month. The District pays vision premiums of \$34.16 for family coverage and \$13.75 for single coverage for classified employees only.

**C. Workers' Compensation**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (the "GRP"), a public entity risk pool (See Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants of the GRP are placed in tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the State based on the rate for its GRP tier rather than its individual rate. Participants in the GRP are limited to school districts that can meet the GRP's selection criteria. CompManagement provides administrative, cost control and actuarial service to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$884,240, \$928,149 and \$635,094, respectively; 55.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

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

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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**NOTE 13 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,828,903, \$2,818,070 and \$2,760,578, respectively; 82.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$137,599 made by the District and \$98,285 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$215,660, \$173,425 and \$396,378, respectively; 55.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$56,903, \$55,195 and \$52,401, respectively; 55.34 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

**Funding Policy** - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$217,608, \$216,775 and \$212,350, respectively; 82.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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	\$ 4,231,521
Net adjustment for revenue accruals	3,390,938
Net adjustment for expenditure accruals	(513,468)
Net adjustment for other sources/uses	(22,830)
Funds budgeted elsewhere **	(132,460)
Adjustment for encumbrances	447,634
GAAP basis	<u>\$ 7,401,335</u>

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

**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, 2011.

**B. Litigation**

The District is not party to legal proceedings at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 17 – SET-ASIDES**

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	899,899	899,899
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(755,056)	-
Excess qualified expenditures from prior years	(694,056)	-
Current year offsets	-	(899,899)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (549,213)</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years; therefore, only the amount offsets needed to bring the balance to \$0 were used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2011, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2011</u>
Tremco, Inc.	\$ 385,900	\$ -	\$ 385,900
Superior Paving	<u>74,240</u>	<u>-</u>	<u>74,240</u>
Total	<u>\$ 460,140</u>	<u>\$ -</u>	<u>\$ 460,140</u>

**NOTE 19 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 288,408
Other governmental	<u>614,076</u>
Total	<u>\$ 902,484</u>

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Program Title						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555		\$86,230		\$86,230
Non-Cash Assistance Total				86,230		86,230
Cash Assistance:						
School Breakfast Program	049858-3L70-2011	10.553	\$14,606		\$14,606	
National School Lunch Program	049858-3L60-2011	10.555	382,794		382,794	
Cash Assistance Total			397,400		397,400	
Total Nutrition Cluster			397,400	86,230	397,400	86,230
<b>Total U.S. Department of Agriculture</b>			397,400	86,230	397,400	86,230
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	049858-3M00-2010	84.010	4,881		10,045	
Title I Grants to Local Educational Agencies	049858-3M00-2011	84.010	401,813		373,881	
ARRA - Title I Grants to Local Educational Agencies	049058-3DK0-2010	84.389			390	
ARRA - Title I Grants to Local Educational Agencies	049058-3DK0-2011	84.389	116,184		109,080	
Total Title I Grants to Local Educational Agencies			522,878		493,396	
Special Education Cluster:						
Special Education Grants to States	049858-3M20-2010	84.027	112,481		101,046	
Special Education Grants to States	049858-3M20-2011	84.027	803,521		742,247	
ARRA - Special Education Grants to States	049858-3DJ0-2011	84.391	267,926		272,873	
Total Special Education Cluster			1,183,928		1,116,166	
English Language Acquisition Grants	049858-3Y70-2011	84.365	21,432		21,432	
ARRA-Race to the Top	049858-3FD0-2011	84.395	26,054		23,433	
Safe and Drug Free Schools and Communities State Grants	049858-3D10-2010	84.186			1,873	
Safe and Drug Free Schools and Communities State Grants	049858-3D10-2011	84.186			60	
Total Safe and Drug Free Schools and Communities State Grants					1,933	
Carol M. White Physical Education Grant	N/A	84.215	1,396		1,396	
Educational Technology State Grants	049858-3S20-2011	84.318	1,381		1,381	
Improving Teacher Quality State Grants	049858-3Y60-2010	84.367	14,734		17,043	
Improving Teacher Quality State Grants	049858-3Y60-2011	84.367	118,425		110,029	
Total Improving Teacher Quality State Grants			133,159		127,072	
ARRA - Fiscal Stabilization Fund	049858-GRF-2010	84.394			11,112	
ARRA - Fiscal Stabilization Fund	049858-GRF-2011	84.394	446,486		421,376	
Total ARRA - Fiscal Stabilization Fund			446,486		432,488	
<i>Total Passed Through Ohio Department of Education</i>			2,336,714		2,218,697	
<i>Passed Through PlainLocal School District</i>						
Vocational Education Basic Grants to States	N/A	84.048	40,500		40,500	
<b>Total U.S. Department of Education</b>			2,377,214		2,259,197	
<b>Total Federal Financial Assistance</b>			\$2,774,614	\$86,230	\$2,656,597	\$86,230

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2012, the District requested the Ohio Department of Education to authorize the following transfers:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
ARRA-Race to the Top	84.395	\$13,770
Education Jobs Fund	84.410	252,745



# Dave Yost • Auditor of State

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

Jackson Local School District  
Stark County  
7602 Fulton Dr NW  
Massillon, OH 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2011 wherein we noted the District restated governmental fund balances due to implementing GASB Statement 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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

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

**Dave Yost**  
Auditor of State

October 26, 2011



# Dave Yost • Auditor of State

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

Jackson Local School District  
Stark County  
7602 Fulton Dr NW  
Massillon, OH 44646

To the Board of Education:

### Compliance

We have audited the compliance of Jackson Local School District 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 could directly and materially affect each of Jackson Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Jackson Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

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

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509  
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

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

**Dave Yost**  
Auditor of State

October 26, 2011

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title VI-B (Special Ed Cluster-CFDA #84.027 & #84.391), Title 1 Cluster (CFDA # 84.010 & 84.389) ARRA-Fiscal Stabilization Fund (CFDA #84.394)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

Jackson Local School District  
Stark County  
7602 Fulton Dr NW  
Massillon, OH 44646

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 16, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

**Dave Yost**  
Auditor of State

October 26, 2011

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# Dave Yost • Auditor of State

JACKSON LOCAL SCHOOL DISTRICT

STARK COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
NOVEMBER 15, 2011