

Mary Taylor, CPA
Auditor of State

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2009, 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, 2009, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 4, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The management's discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities increased \$3,623,300 which represents a 13.71% increase from 2008.
- General revenues accounted for \$53,741,395 in revenue or 89.84% of all revenues. Program specific revenues in the form of charges for services and sales, operating and capital grants and contributions, and capital grants and contributions accounted for \$6,074,522 or 10.16% of total revenues of \$59,815,917.
- The District had \$56,192,617 in expenses related to governmental activities; \$6,074,522 of these expenses were offset by program specific charges for services, operating and capital grants or 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 \$46,383,702 in revenues and other financing sources and \$44,881,145 in expenditures and other financing uses. The general fund's fund balance increased \$1,502,557 from \$2,279,998 to \$3,800,317.
- The debt service fund had \$7,302,391 in revenues and \$6,802,777 in expenditures. The debt service fund's fund balance increased \$499,614 from \$5,507,819 to \$6,007,433.

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, 2009
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" 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, 2009
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net assets at June 30, 2009 and June 30, 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 60,816,365	\$ 57,691,781
Capital assets, net	<u>93,409,685</u>	<u>95,646,091</u>
Total assets	<u>154,226,050</u>	<u>153,337,872</u>
<u>Liabilities</u>		
Current liabilities	45,902,389	43,947,178
Long-term liabilities	<u>78,279,628</u>	<u>82,969,961</u>
Total liabilities	<u>124,182,017</u>	<u>126,917,139</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	23,326,702	23,301,086
Restricted	8,001,004	7,046,621
Unrestricted (deficit)	<u>(1,283,673)</u>	<u>(3,926,974)</u>
Total net assets	<u>\$ 30,044,033</u>	<u>\$ 26,420,733</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$30,044,033.

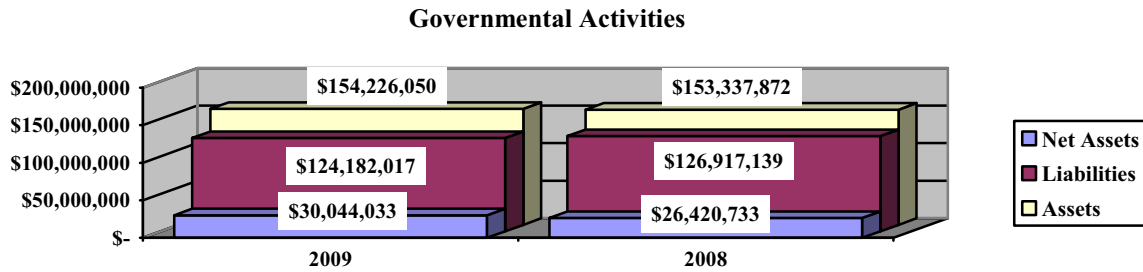
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

At year-end, capital assets represented 60.57% 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, 2009, were \$23,326,702. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$8,001,004, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$6,034,082 is restricted for debt service and \$1,562,892 is restricted for capital projects. The remaining balance of unrestricted net assets is a deficit of \$1,283,673.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008. Intergovernmental pass-through expenses for 2008 have been reclassified to vocational expenses to conform to 2009's presentation.

Change in Net Assets

	Governmental Activities 2009	Governmental Activities 2008
Revenues		
Program revenues:		
Charges for services and sales	\$ 3,201,653	\$ 3,511,162
Operating grants and contributions	2,824,396	2,603,701
Capital grants and contributions	48,473	61,376
General revenues:		
Property taxes	39,927,385	41,531,456
Grants and entitlements	13,316,608	12,216,747
Investment earnings	397,139	973,959
Other	100,263	99,743
Total revenues	59,815,917	60,998,144

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 22,899,631	\$ 21,506,153
Special	3,400,065	3,535,029
Vocational	597,624	1,301,015
Adult	52,118	86,093
Other	1,155,996	1,296,766
Support services:		
Pupil	2,705,462	2,818,918
Instructional staff	2,934,992	2,453,397
Board of education	17,397	18,087
Administration	3,289,456	3,358,151
Fiscal	1,073,904	1,041,650
Business	324,025	464,340
Operations and maintenance	5,851,043	5,300,181
Pupil transportation	2,966,003	3,178,643
Central	1,257,690	1,806,687
Operations of non-instructional services:		
Food service operations	1,746,539	1,620,710
Other non-instructional services	12,334	3,805
Extracurricular activities	1,969,195	1,791,974
Interest and fiscal charges	<u>3,939,143</u>	<u>4,086,561</u>
Total expenses	<u>56,192,617</u>	<u>55,668,160</u>
Change in net assets	3,623,300	5,329,984
Net assets at beginning of year	<u>26,420,733</u>	<u>21,090,749</u>
Net assets at end of year	<u>\$ 30,044,033</u>	<u>\$ 26,420,733</u>

Governmental Activities

Net assets of the District's governmental activities increased \$3,623,300. Total governmental expenses of \$56,192,617 were offset by program revenues of \$6,074,522 and general revenues of \$53,741,395. Program revenues supported 10.81% of the total governmental expenses.

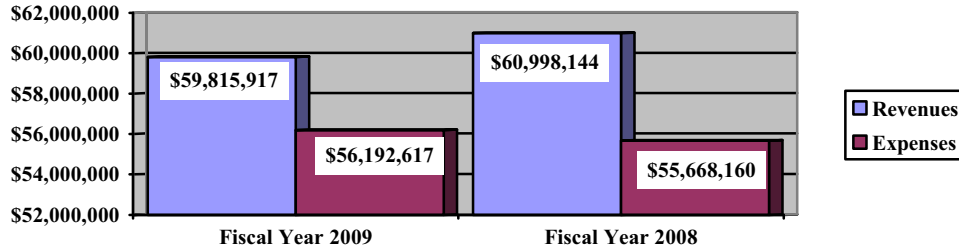
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources account for 89.01% of total governmental revenue. The District successfully renewed a 6.8 mil emergency levy in August 2006. The levy will generate approximately \$8,350,000 per year. The additional income will be dedicated to fund the day to day operations of the District (e.g. salaries, utilities, textbooks, transportation).

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

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. Intergovernmental pass-through expenses for 2008 have been reclassified to vocational expenses to conform to 2009's presentation.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 22,899,631	\$ 21,357,149	\$ 21,506,153	\$ 19,482,590
Special	3,400,065	2,287,951	3,535,029	3,016,410
Vocational	597,624	500,998	1,301,015	1,179,700
Adult	52,118	938	86,093	8,522
Other	1,155,996	1,155,996	1,296,766	1,296,766
Support services:				
Pupil	2,705,462	2,427,873	2,818,918	2,507,927
Instructional staff	2,934,992	2,555,109	2,453,397	2,148,529
Board of education	17,397	17,397	18,087	18,087
Administration	3,289,456	3,257,332	3,358,151	3,288,721
Fiscal	1,073,904	1,073,904	1,041,650	1,034,206
Business	324,025	324,025	464,340	464,340
Operations and maintenance	5,851,043	5,782,093	5,300,181	5,240,669
Pupil transportation	2,966,003	2,810,412	3,178,643	3,013,425
Central	1,257,690	1,204,495	1,806,687	1,750,692
Operations of non-instructional services:				
Food service operations	1,746,539	160,930	1,620,710	98,412
Other non-instructional services	12,334	7,706	3,805	2,198
Extracurricular activities	1,969,195	1,254,644	1,791,974	854,166
Interest and fiscal charges	3,939,143	3,939,143	4,086,561	4,086,561
Total	<u>\$ 56,192,617</u>	<u>\$ 50,118,095</u>	<u>\$ 55,668,160</u>	<u>\$ 49,491,921</u>

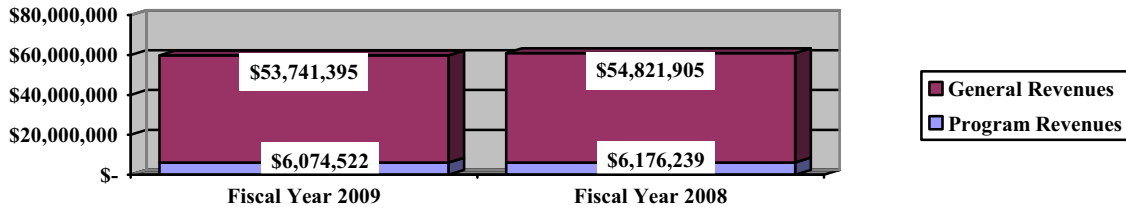
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 90.23% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 89.19%. 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 2009 and 2008.

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 \$12,040,397, which is higher than last year's total of \$9,638,027. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	<u>Increase</u>	<u>Percentage Change</u>
General	\$ 3,800,317	\$ 2,279,998	\$ 1,520,319	66.68 %
Debt Service	6,007,433	5,507,819	499,614	9.07 %
Other Governmental	<u>2,232,647</u>	<u>1,850,210</u>	<u>382,437</u>	20.67 %
Total	<u>\$ 12,040,397</u>	<u>\$ 9,638,027</u>	<u>\$ 2,402,370</u>	24.93 %

General Fund

During fiscal year 2009, the District's general fund balance increased \$1,520,319.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The table that follows assists in illustrating the financial activities of the general fund. Intergovernmental pass-through expenditures for 2008 have been reclassified to instruction expenditures to conform to 2009's presentation.

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues and</u>				
<u>Other financing sources</u>				
Taxes	\$ 32,088,131	\$ 32,958,478	\$ (870,347)	(2.64) %
Tuition	231,302	189,413	41,889	22.12 %
Earnings on investments	414,646	873,384	(458,738)	(52.52) %
Intergovernmental	12,670,976	11,576,852	1,094,124	9.45 %
Other revenues	971,366	1,224,890	(253,524)	(20.70) %
Sale of capital assets	7,281	-	7,281	100.00 %
Capital lease transactions	-	491,207	(491,207)	(100.00) %
Total	<u>\$ 46,383,702</u>	<u>\$ 47,314,224</u>	<u>\$ (930,522)</u>	(1.97) %
<u>Expenditures and</u>				
<u>Other financing uses</u>				
Instruction	\$ 25,185,134	\$ 26,822,601	\$ (1,637,467)	(6.10) %
Support services	18,288,122	18,319,315	(31,193)	(0.17) %
Extracurricular activities	1,187,571	1,162,391	25,180	2.17 %
Non-instructional services	7,822	-	7,822	100.00 %
Facilities acquisition and construction	31,324	517,919	(486,595)	(93.95) %
Capital outlay	-	491,207	(491,207)	(100.00) %
Debt service	169,771	169,770	1	0.00 %
Transfers out	11,401	-	11,401	100.00 %
Total	<u>\$ 44,881,145</u>	<u>\$ 47,483,203</u>	<u>\$ (2,602,058)</u>	(5.48) %

Overall revenues and other financing sources of the general fund decreased \$930,522 or 1.97%. The most significant decreases were in the areas of taxes, earnings on investments and capital lease transactions. Taxes decreased \$870,347 or 2.64%. This decrease is primarily due to the phase out of tangible personal property taxes. Tangible personal property tax receipts decreased approximately \$1,100,000 from 2008. The decrease in earnings on investments of \$458,738 is due mainly to a decrease in interest rates earned on investments. The decrease in capital lease transactions is due to no capital leases being entered into by the District during fiscal year 2009. Intergovernmental revenue increased \$1,094,124 or 9.45% due mainly to an increase of roughly \$800,000 in tangible personal property tax reimbursement received from the State.

Expenditures and other financing uses of the general fund decreased \$2,602,058 or 5.48%. The most significant decreases were in the areas instruction, facilities acquisition and construction and capital outlay. Instruction expenditures decreased \$1,637,467 due to a retirement incentive the District offered employees during fiscal year 2008. Facilities acquisition and construction decreased \$486,595 due to cost incurred by the District in fiscal year 2008 to complete a building project. The decrease in capital outlay is due to no capital leases being entered into by the District during fiscal year 2009.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Debt Service Fund

During fiscal year 2009, the District's debt service fund balance increased \$499,614 due to tax revenues exceeding scheduled principal and interest payments on the District's bonds.

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 6,291,491	\$ 7,090,570	\$ (799,079)	(11.27) %
Intergovernmental	<u>1,010,900</u>	<u>1,011,342</u>	<u>(442)</u>	(0.04) %
Total	<u>\$ 7,302,391</u>	<u>\$ 8,101,912</u>	<u>\$ (799,521)</u>	(9.87) %
<u>Expenditures</u>				
Fiscal	\$ 103,814	\$ 113,691	\$ (9,877)	(8.69) %
Debt Service:				
Principal	3,920,000	4,185,000	(265,000)	(6.33) %
Interest and fiscal charges	<u>2,778,963</u>	<u>2,857,156</u>	<u>(78,193)</u>	(2.74) %
Total	<u>\$ 6,802,777</u>	<u>\$ 7,155,847</u>	<u>\$ (353,070)</u>	(4.93) %

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 2009, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$46,238,559 were \$417,347 higher than the original budgeted revenues estimate of \$45,821,212. Actual revenue and other financing sources of \$46,238,540 were \$19 less than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$47,080,351 were \$2,142,309 lower than the original and final appropriations (appropriated expenditures plus other financing uses) of \$49,222,660.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$93,409,685 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, 2009
(UNAUDITED)

The table that follows shows June 30, 2009 balances compared to June 30, 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 2,417,011	\$ 1,974,208
Land improvements	4,096,109	4,349,901
Buildings and improvements	84,670,440	86,761,320
Furniture and equipment	1,512,111	1,619,612
Vehicles	685,979	941,050
Construction in progress	28,035	-
Total	\$ 93,409,685	\$ 95,646,091

The overall decrease of \$2,236,406 is the result of depreciation expense of \$3,739,744 and disposals (net of accumulated depreciation) of \$102,131 exceeding capital asset additions of \$1,605,469.

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

Debt Administration

At June 30, 2009 the District had \$72,003,021 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, \$4,075,929 is due within one year and \$67,927,092 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, 2009
(UNAUDITED)

The table below summarizes the bonds and capital leases outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Current interest bonds - 2007	\$ 39,190,000	\$ 39,530,000
Capital appreciation bonds - 2007	1,835,681	1,519,405
Current interest bonds - 2005A	2,850,000	4,085,000
Capital appreciation bonds - 2005A	2,375,408	2,129,159
Current interest bonds - 2005B	15,605,000	16,045,000
Capital appreciation bonds - 2005B	2,502,707	2,248,017
Current interest bonds - 2004	3,485,000	3,485,000
Capital appreciation bonds - 2004	1,820,339	2,444,102
Current interest bonds - 2000	2,010,000	2,010,000
Capital appreciation bonds - 2000	-	886,853
Capital leases	<u>328,886</u>	<u>461,513</u>
Total	<u>\$ 72,003,021</u>	<u>\$ 74,844,049</u>

At June 30, 2009, the District's overall legal debt margin was \$54,108,856 with an unvoted debt margin of \$1,292,049.

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 School District. In February 2009, the community passed a 4.9 mill new emergency levy that will generate \$6,150,000 per year for 5 years for operating expenditures. As the preceding information shows, the District relies heavily on local property taxes for funding its operations.

In light of the current economic circumstances and continued uncertainty relative to foundation funding from the State, the District is monitoring all funding scenarios and prudently providing the necessary resources to maintain our current level of Excellence in both curricular and extra-curricular programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Cuts to planned expenditures continue to be made in the general fund to try to extend the life of the balance in the general fund. Over the past three years, cuts were made including the elimination of teaching positions, two and one-half administrative positions and several non-teaching positions, along with combining high school and middle school bus routes. In addition, the District offered an Early Retirement Incentive program to certified employees at the end of the 2007 and 2008 school years. This program allowed the District to hire new certified staff at a lower salary step. This will save the District salary and benefit costs. Salary and benefits costs comprise the largest percentage of the District's operating budget.

During fiscal year 2009, the District received the State's designation, "Excellent" having met 29 out of 30 state indicators. The District has received the "Excellent" designation for nine consecutive years. The District's Performance Index of 106.7 is an improvement versus last year's index of 106.4, and places the District 21st out of 610 public school districts in the state of Ohio. The District has placed in the top 25 districts for the past 4 years.

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 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 worldwide.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 16,773,677
Receivables:	
Taxes	43,012,259
Accounts	25,033
Intergovernmental	82,517
Accrued interest	34,674
Prepayments	35,650
Materials and supplies inventory	136,373
Loans receivable	1,800
Unamortized bond issue costs	714,382
Capital assets:	
Land and construction in progress	2,445,046
Depreciable capital assets, net	90,964,639
Capital assets, net	93,409,685
 Total assets.	 154,226,050
 Liabilities:	
Accounts payable.	149,257
Contracts payable.	84,183
Accrued wages and benefits	4,882,270
Pension obligation payable.	1,179,745
Intergovernmental payable	196,038
Unearned revenue	39,195,610
Accrued interest payable	215,286
Long-term liabilities:	
Due within one year.	4,830,617
Due within more than one year	73,449,011
 Total liabilities	 124,182,017
 Net Assets:	
Invested in capital assets, net of related debt.	23,326,702
Restricted for:	
Capital projects	1,562,892
Debt service.	6,034,082
Locally funded programs	2,563
State funded programs	17,893
Federally funded programs	1,672
Student activities	362,430
Other purposes	19,472
Unrestricted (deficit).	(1,283,673)
 Total net assets	 \$ 30,044,033

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, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 22,899,631	\$ 1,024,182	\$ 518,300	\$ -	\$ (21,357,149)
Special	3,400,065	51,832	1,060,282	-	(2,287,951)
Vocational	597,624	66,094	30,532	-	(500,998)
Adult	52,118	51,180	-	-	(938)
Other	1,155,996	-	-	-	(1,155,996)
Support services:					
Pupil	2,705,462	115,551	162,038	-	(2,427,873)
Instructional staff	2,934,992	6,691	373,192	-	(2,555,109)
Board of education	17,397	-	-	-	(17,397)
Administration	3,289,456	16,242	15,882	-	(3,257,332)
Fiscal	1,073,904	-	-	-	(1,073,904)
Business	324,025	-	-	-	(324,025)
Operations and maintenance	5,851,043	67,003	1,947	-	(5,782,093)
Pupil transportation	2,966,003	12,755	94,363	48,473	(2,810,412)
Central	1,257,690	-	53,195	-	(1,204,495)
Operation of non-instructional services:					
Food service operations	1,746,539	1,171,547	414,062	-	(160,930)
Other non-instructional services	12,334	-	4,628	-	(7,706)
Extracurricular activities	1,969,195	618,576	95,975	-	(1,254,644)
Interest and fiscal charges	3,939,143	-	-	-	(3,939,143)
Total governmental activities	\$ 56,192,617	\$ 3,201,653	\$ 2,824,396	\$ 48,473	(50,118,095)
General Revenues:					
Property taxes levied for:					
General purposes					32,427,374
Debt service					6,306,534
Capital projects					1,193,477
Grants and entitlements not restricted to specific programs					13,316,608
Investment earnings					397,139
Miscellaneous					100,263
Total general revenues					53,741,395
Change in net assets					3,623,300
Net assets at beginning of year					26,420,733
Net assets at end of year					\$ 30,044,033

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 8,414,213	\$ 5,705,333	\$ 2,654,131	\$ 16,773,677
Receivables:				
Taxes	35,921,441	5,876,801	1,214,017	43,012,259
Accounts	22,730	-	2,303	25,033
Intergovernmental	-	-	82,517	82,517
Accrued interest	34,674	-	-	34,674
Interfund loans	124,585	-	-	124,585
Prepayments	35,650	-	-	35,650
Materials and supplies inventory	121,979	-	14,394	136,373
Loans receivable	1,800	-	-	1,800
	<u>\$ 44,677,072</u>	<u>\$ 11,582,134</u>	<u>\$ 3,967,362</u>	<u>\$ 60,226,568</u>
Total assets				
Liabilities:				
Accounts payable	\$ 130,753	\$ -	\$ 18,504	\$ 149,257
Contracts payable	-	-	84,183	84,183
Accrued wages and benefits	4,630,601	-	251,669	4,882,270
Compensated absences payable	591,902	-	-	591,902
Pension obligation payable	1,082,986	-	96,759	1,179,745
Intergovernmental payable	186,756	-	9,282	196,038
Interfund loan payable	-	-	124,585	124,585
Unearned revenue	32,764,589	5,332,766	1,098,255	39,195,610
Deferred revenue	1,489,168	241,935	51,478	1,782,581
	<u>40,876,755</u>	<u>5,574,701</u>	<u>1,734,715</u>	<u>48,186,171</u>
Total liabilities				
Fund Balances:				
Reserved for encumbrances	538,240	-	516,788	1,055,028
Reserved for materials and supplies inventory	121,979	-	14,394	136,373
Reserved for prepayments	35,650	-	-	35,650
Reserved for property tax unavailable for appropriation	1,684,372	302,100	64,284	2,050,756
Reserved for debt service	-	5,705,333	-	5,705,333
Unreserved, undesignated, reported in:				
General fund	1,420,076	-	-	1,420,076
Special revenue funds	-	-	508,362	508,362
Capital projects funds	-	-	1,128,819	1,128,819
	<u>3,800,317</u>	<u>6,007,433</u>	<u>2,232,647</u>	<u>12,040,397</u>
Total fund balances				
Total liabilities and fund balances	<u>\$ 44,677,072</u>	<u>\$ 11,582,134</u>	<u>\$ 3,967,362</u>	<u>\$ 60,226,568</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, 2009

Total governmental fund balances		\$	12,040,397
<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.			93,409,685
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Delinquent taxes receivable	\$	1,768,118	
Accrued interest receivable		14,463	
		1,782,581	
Total			1,782,581
Unamortized deferred charges are not recognized in the funds.			2,749,887
Unamortized premiums on bond issuance is not recognized in the funds.			(4,567,484)
Unamortized bond issuance costs are not recognized in the funds.			714,382
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(215,286)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(3,867,108)	
General obligation bonds payable		(71,674,135)	
Capital lease obligation payable		(328,886)	
		(75,870,129)	
Total			(75,870,129)
Net assets of governmental activities		\$	30,044,033

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, 2009

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 32,088,131	\$ 6,291,491	\$ 1,179,200	\$ 39,558,822
Tuition	231,302	-	51,180	282,482
Transportation fees	12,755	-	-	12,755
Charges for services	-	-	1,176,963	1,176,963
Earnings on investments	414,646	-	630	415,276
Extracurricular	132,325	-	685,398	817,723
Classroom materials and fees	618,152	-	112,336	730,488
Rental income	30,661	-	-	30,661
Contributions and donations	3,700	-	178,885	182,585
Services provided to other entities	46,318	-	73,371	119,689
Other local revenues	127,455	-	123,139	250,594
Intergovernmental - Intermediate	144,435	-	-	144,435
Intergovernmental - State	12,461,074	1,010,900	386,806	13,858,780
Intergovernmental - Federal	65,467	-	1,818,485	1,883,952
Total revenues	46,376,421	7,302,391	5,786,393	59,465,205
Expenditures:				
Current:				
Instruction:				
Regular	21,080,851	-	555,289	21,636,140
Special	2,495,619	-	841,812	3,337,431
Vocational	453,127	-	53,969	507,096
Adult	-	-	52,118	52,118
Other	1,155,537	-	-	1,155,537
Support services:				
Pupil	2,351,207	-	290,524	2,641,731
Instructional staff	2,392,510	-	411,657	2,804,167
Board of education	17,397	-	-	17,397
Administration	3,153,170	-	33,721	3,186,891
Fiscal	939,667	103,814	19,403	1,062,884
Business	326,492	-	-	326,492
Operations and maintenance	5,411,372	-	7,124	5,418,496
Pupil transportation	2,547,641	-	32,830	2,580,471
Central	1,148,666	-	50,040	1,198,706
Operation of non-instructional services:				
Food service operations	-	-	1,525,793	1,525,793
Other non-instructional services	7,822	-	4,512	12,334
Extracurricular activities	1,187,571	-	561,606	1,749,177
Facilities acquisition and construction	31,324	-	973,678	1,005,002
Debt service:				
Principal retirement	132,627	3,920,000	-	4,052,627
Interest and fiscal charges	37,144	2,778,963	-	2,816,107
Total expenditures	44,869,744	6,802,777	5,414,076	57,086,597
Excess of revenues over expenditures	1,506,677	499,614	372,317	2,378,608
Other financing sources (uses):				
Sale of capital assets	7,281	-	-	7,281
Transfers in	-	-	11,401	11,401
Transfers (out)	(11,401)	-	-	(11,401)
Total other financing sources (uses)	(4,120)	-	11,401	7,281
Net change in fund balances	1,502,557	499,614	383,718	2,385,889
Fund balances at beginning of year	2,279,998	5,507,819	1,850,210	9,638,027
Increase (decrease) in reserve for inventory	17,762	-	(1,281)	16,481
Fund balances at end of year	\$ 3,800,317	\$ 6,007,433	\$ 2,232,647	\$ 12,040,397

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, 2009

Net change in fund balances - total governmental funds	\$	2,385,889
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are 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	\$ 1,605,469	
Current year depreciation	(3,739,744)	
Total		(2,134,275)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(102,131)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		16,481
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	368,563	
Earnings on investments	(17,851)	
Total		350,712
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	3,920,000	
Capital leases	132,627	
Total		4,052,627
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. Then following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	4,905	
Accreted interest on capital appreciation bonds	(1,211,599)	
Amortization of deferred charges	(268,028)	
Amortization of bond premium	420,534	
Amortization of bond issuance costs	(68,848)	
Total		(1,123,036)
Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		177,033
Change in net assets of governmental activities	\$	3,623,300

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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 31,609,434	\$ 31,846,327	\$ 31,846,325	\$ (2)
Tuition.	229,581	231,302	231,302	-
Transportation fees.	12,660	12,755	12,755	-
Earnings on investments.	435,192	438,454	438,454	-
Extracurricular	131,390	132,375	132,375	-
Classroom materials and fees.	616,530	621,151	621,151	-
Rental income	30,433	30,661	30,661	-
Contributions and donations	3,672	3,700	3,700	-
Services provided to other entities	45,973	46,318	46,318	-
Other local revenues.	129,608	130,579	130,579	-
Intergovernmental - intermediate.	143,362	144,436	144,436	-
Intergovernmental - state.	12,368,397	12,461,091	12,461,074	(17)
Intergovernmental - federal.	64,980	65,467	65,467	-
Total revenues	45,821,212	46,164,616	46,164,597	(19)
Expenditures:				
Current:				
Instruction:				
Regular	22,442,739	22,442,739	22,268,972	173,767
Special.	2,663,456	2,663,456	2,592,266	71,190
Vocational.	941,227	941,227	726,808	214,419
Other.	1,241,000	1,241,000	1,211,201	29,799
Support services:				
Pupil.	2,581,756	2,581,756	2,531,354	50,402
Instructional staff	2,531,524	2,531,524	2,414,733	116,791
Board of education	20,000	20,000	18,095	1,905
Administration.	3,343,341	3,343,341	3,201,327	142,014
Fiscal	937,811	937,811	936,279	1,532
Business	389,696	389,696	371,764	17,932
Operations and maintenance.	5,841,508	5,841,508	5,457,613	383,895
Pupil transportation	3,005,604	3,005,604	2,565,986	439,618
Central.	1,556,322	1,556,322	1,403,730	152,592
Operation of non-instructional services	12,100	12,100	7,822	4,278
Extracurricular activities.	1,363,379	1,363,379	1,190,573	172,806
Facilities acquisition and construction.	191,097	191,097	31,324	159,773
Total expenditures	49,062,560	49,062,560	46,929,847	2,132,713
Excess (deficiency) of revenues over (under) expenditures.	(3,241,348)	(2,897,944)	(765,250)	2,132,694
Other financing sources (uses):				
Refund of prior year expenditure	-	54,794	54,794	-
Refund of prior year receipt.	(15,100)	(15,100)	(12,718)	2,382
Transfers (out)	(11,500)	(11,500)	(11,401)	99
Advances in.	-	10,132	10,132	-
Advances (out)	(133,500)	(133,500)	(126,385)	7,115
Sale of capital assets.	-	9,017	9,017	-
Total other financing sources (uses)	(160,100)	(86,157)	(76,561)	9,596
Net change in fund balance	(3,401,448)	(2,984,101)	(841,811)	2,142,290
Fund balance at beginning of year.	7,851,290	7,851,290	7,851,290	-
Prior year encumbrances appropriated	788,928	788,928	788,928	-
Fund balance at end of year.	\$ 5,238,770	\$ 5,656,117	\$ 7,798,407	\$ 2,142,290

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments.	\$ 49,661	\$ 117,585
Receivables:		
Accounts	<u>-</u>	<u>224</u>
Total assets.	<u>49,661</u>	<u>\$ 117,809</u>
Liabilities:		
Accounts payable.	-	\$ 3,212
Loans payable	-	1,800
Due to students	<u>-</u>	<u>112,797</u>
Total liabilities	<u>-</u>	<u>\$ 117,809</u>
Net Assets:		
Held in trust for scholarships	<u>49,661</u>	
Total net assets	<u>\$ 49,661</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 486
Gifts and contributions.	11,768
	12,254
Total additions.	12,254
Deductions:	
Scholarships awarded	21,298
	(9,044)
Change in net assets	(9,044)
Net assets at beginning of year	58,705
Net assets at end of year.	\$ 49,661

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, 2009

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 56th largest by total enrollment among the 922 public and community school districts in the State and 3rd largest in Stark County. The District employs 268 non-certified and 360 certified employees to provide services to 5,836 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government 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, 2009
(CONTINUED)

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.

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

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

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

Stark County Tax Incentive Review Council (SCTIRC)

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and 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, 2009
(CONTINUED)

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 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 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as 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, 2009
(CONTINUED)

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

During fiscal year 2009, investments were limited to nonnegotiable certificates of deposits 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 2009. 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, 2009.

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 2009 amounted to \$414,646, which includes \$199,834 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 fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

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

H. Capital Assets

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
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, issuance and costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and 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, 2009
(CONTINUED)

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. 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, 2009, 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, 2009 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 Reserves

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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 includes amounts restricted for the special trust 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 reserved on the fund financial statements by an amount equal to the carrying value of the asset.

P. Estimates

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2009, the District did not incur any transactions that would be classified as an extraordinary item or special item.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Uniform school supplies	\$ 630
Entry year programs	219
SchoolNet	18
Title VI-B	54,556
Title II	177
Limited english proficiency	28
Improving teacher quality	13,855

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2009, the carrying amount of all District deposits was \$16,861,658. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$16,337,843 of the District's bank balance of \$17,087,843 was exposed to custodial risk as discussed below, while \$750,000 was covered by the FDIC.

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, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 76,677	\$ 76,677

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.

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STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 76,677	100.00

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, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 16,861,658
Investments	76,677
Cash on hand	<u>2,588</u>
Total	<u>\$ 16,940,923</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 16,773,677
Private-purpose trust funds	49,661
Agency funds	<u>117,585</u>
Total	<u>\$ 16,940,923</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2009 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 124,585
General	Agency fund	<u>1,800</u>
Total		<u>\$ 126,385</u>

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

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets. Interfund balances between governmental funds and agency funds appear as “loans receivable/payable” on the statement of net assets, the balance sheet and the statement of fiduciary net assets.

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental fund	<u>\$ 11,401</u>

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

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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 tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark and Summit Counties. The County Auditor/County Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,684,372 in the general fund, \$302,100 in the debt service fund and \$64,284 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$1,442,566 in the general fund, \$333,369 in the debt service fund and \$54,657 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 tangible personal property taxes which are measurable as of June 30, 2009 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.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,231,230,250	93.39	\$ 1,259,435,210	95.32
Public utility personal	32,463,260	2.46	29,153,093	2.20
Tangible personal property	<u>54,726,568</u>	<u>4.15</u>	<u>32,669,030</u>	<u>2.48</u>
Total	<u>\$ 1,318,420,078</u>	<u>100.00</u>	<u>\$ 1,321,257,333</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$41.70		\$41.70	
Permanent improvements	1.00		1.00	
Bond	4.70		4.70	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 43,012,259
Accounts	25,033
Intergovernmental	82,517
Accrued interest	<u>34,674</u>
Total	<u>\$ 43,154,483</u>

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

NOTE 8 - CAPITAL ASSETS

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2009</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,974,208	\$ 442,803	\$ -	\$ 2,417,011
Construction in progress	<u>-</u>	<u>28,035</u>	<u>-</u>	<u>28,035</u>
Total capital assets, not being depreciated	<u>1,974,208</u>	<u>470,838</u>	<u>-</u>	<u>2,445,046</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	6,755,634	126,302	-	6,881,936
Building and improvements	106,350,936	525,037	-	106,875,973
Furniture and equipment	3,805,760	405,031	(161,165)	4,049,626
Vehicles	<u>4,873,977</u>	<u>78,261</u>	<u>(195,203)</u>	<u>4,757,035</u>
Total capital assets, being depreciated	<u>121,786,307</u>	<u>1,134,631</u>	<u>(356,368)</u>	<u>122,564,570</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,405,733)	(380,094)	-	(2,785,827)
Building and improvements	(19,589,616)	(2,615,917)	-	(22,205,533)
Furniture and equipment	(2,186,148)	(432,778)	81,411	(2,537,515)
Vehicles	<u>(3,932,927)</u>	<u>(310,955)</u>	<u>172,826</u>	<u>(4,071,056)</u>
Total accumulated depreciation	<u>(28,114,424)</u>	<u>(3,739,744)</u>	<u>254,237</u>	<u>(31,599,931)</u>
Governmental activities capital assets, net	<u>\$ 95,646,091</u>	<u>\$ (2,134,275)</u>	<u>\$ (102,131)</u>	<u>\$ 93,409,685</u>

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 2,217,219
Special	77,299
Vocational	183,555
<u>Support services:</u>	
Pupil	51,088
Instructional staff	120,864
Administration	52,875
Fiscal	2,770
Business	19,373
Operations and maintenance	234,040
Pupil transportation	331,425
Central	25,658
Extracurricular activities	210,103
Food service operations	<u>213,475</u>
Total depreciation expense	<u>\$ 3,739,744</u>

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. A liability of \$246,457 at June 30, 2009 has been recorded in the government-wide financial statements.

Capital assets consisting of equipment have been capitalized in the amount of \$127,512. Accumulated depreciation on these assets was \$40,359, resulting in a carrying value of \$87,153. 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 2009 totaled \$132,627 paid by the general fund

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

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, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 169,770
2011	169,770
2012	<u>30,996</u>
Total minimum lease payments	<u>370,536</u>
Less: amount representing interest	<u>(41,650)</u>
Total	<u>\$ 328,886</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2009, the following activity occurred in governmental activities long-term obligations:

	<u>Balance</u>			<u>Balance</u>	<u>Amount</u>
	<u>June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2009</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 74,382,536	\$ 1,211,599	\$ (3,920,000)	\$ 71,674,135	\$ 3,932,294
Capital lease obligations	461,513	-	(132,627)	328,886	143,635
Early retirement incentive	1,553,972	-	(1,553,972)	-	-
Compensated absences	<u>4,601,837</u>	<u>665,074</u>	<u>(807,901)</u>	<u>4,459,010</u>	<u>754,688</u>
Total	<u>\$ 80,999,858</u>	<u>\$ 1,876,673</u>	<u>\$ (6,414,500)</u>	76,462,031	<u>\$ 4,830,617</u>
Less: deferred charge on refunding				(2,749,887)	
Add: unamortized premium				<u>4,567,484</u>	
Total on statement of net assets				<u>\$ 78,279,628</u>	

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

Capital Lease Obligations: See Note 9 for details. Of the \$328,886 liability at June 30, 2009, only \$82,429 is included in the calculation for invested in capital assets, net of related debt.

Early Retirement Incentive Program: The District offered an early retirement incentive (ERI) to non-certified staff and certified teaching staff in previous fiscal years. These amounts have been paid out of the general fund during fiscal year 2009.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During fiscal year 2005, \$19,045,000, of the current interest bonds were refunded. The District paid \$387,548 in principal on the capital appreciation bonds during 2009. None of the capital appreciation bonds were refunded.

At June 30, 2009, the remaining Series 2000 issue is comprised of current interest bonds, par value \$2,010,000.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2010. During fiscal year 2009, one capital appreciation bond matured at an accreted value of \$935,000.

The following is a schedule of activity for fiscal year 2009 on the Series 2000 general obligation bonds:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
Series 2000	\$ 2,010,000	\$ -	\$ -	\$ 2,010,000
Capital appreciation bonds -				
Series 2000	387,548	-	(387,548)	-
Capital appreciation bonds -				
Accreted interest	<u>499,305</u>	<u>48,147</u>	<u>(547,452)</u>	<u>-</u>
Total G.O. bonds	<u>\$ 2,896,853</u>	<u>\$ 48,147</u>	<u>\$ (935,000)</u>	<u>\$ 2,010,000</u>

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

Fiscal Year Ending	Current Interest Bonds		
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 965,000	\$ 74,847	\$ 1,039,847
2011	<u>1,045,000</u>	<u>25,602</u>	<u>1,070,602</u>
Total	<u>\$ 2,010,000</u>	<u>\$ 100,449</u>	<u>\$ 2,110,449</u>

- 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.

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

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$47,225,000, and capital appreciation bonds, par value \$1,274,938. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2009 (effective interest rate 16.80%) and December 1, 2010 (effective interest rate 16.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$3,110,000. A total of \$1,012,223 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2009.

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 2009 on the Series 2004 general obligations:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
Series 2004	\$ 3,485,000	\$ -	\$ -	\$ 3,485,000
Capital appreciation bonds -				
Series 2004	1,274,938		(466,822)	808,116
Capital appreciation bonds -				
Accreted interest	<u>1,169,164</u>	<u>346,237</u>	<u>(503,178)</u>	<u>1,012,223</u>
Total G.O. bonds	<u>\$ 5,929,102</u>	<u>\$ 346,237</u>	<u>\$ (970,000)</u>	<u>\$ 5,305,339</u>

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	<u>June 30,</u> <u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 136,600	\$ 136,600	\$ 417,751	\$ 602,249	\$ 1,020,000
2011	-	136,600	136,600	390,365	729,635	1,120,000
2012	1,120,000	115,600	1,235,600	-	-	-
2013	1,160,000	71,400	1,231,400	-	-	-
2014	<u>1,205,000</u>	<u>24,100</u>	<u>1,229,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,485,000</u>	<u>\$ 484,300</u>	<u>\$ 3,969,300</u>	<u>\$ 808,116</u>	<u>\$ 1,331,884</u>	<u>\$ 2,140,000</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.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The refunding issue is comprised of both current interest bonds, par value \$6,015,000, and capital appreciation bonds, par value \$1,424,952. The capital appreciation bonds mature December 1, 2008 (effective interest rate 10.994%), December 1, 2009 (effective interest rate 10.994%) and December 1, 2010 (effective 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 \$2,650,000. Total accreted interest of \$950,456 on the capital appreciation bonds has been included on the statement of net assets at June 30, 2009.

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

The following is a schedule of activity for fiscal year 2009 on the Series 2005A refunding bonds:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
Series 2005 A refunding bonds	\$ 4,085,000	\$ -	\$ (1,235,000)	\$ 2,850,000
Capital appreciation bonds -				
Series 2005 A refunding bonds	1,424,952	-	-	1,424,952
Capital appreciation bonds -				
Accreted interest	<u>704,207</u>	<u>246,249</u>	<u>-</u>	<u>950,456</u>
Total G.O. bonds	<u>\$ 6,214,159</u>	<u>\$ 246,249</u>	<u>\$ (1,235,000)</u>	<u>\$ 5,225,408</u>

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ -	\$ 99,775	\$ 99,775	\$ 732,630	\$ 557,370	\$ 1,290,000
2011	-	99,775	99,775	692,322	667,678	1,360,000
2012	1,385,000	75,538	1,460,538	-	-	-
2013	1,455,000	25,837	1,480,837	-	-	-
2014	<u>10,000</u>	<u>188</u>	<u>10,188</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,850,000</u>	<u>\$ 301,113</u>	<u>\$ 3,151,113</u>	<u>\$ 1,424,952</u>	<u>\$ 1,225,048</u>	<u>\$ 2,650,000</u>

- 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.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 (effective interest rate 10.994%) and December 1, 2012 (effective 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 \$892,791 on the capital appreciation bonds has been included on the statement of net assets at June 30, 2009.

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.

The following is a schedule of activity for fiscal year 2009 on the Series 2005B refunding bonds:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
Series 2005 B refunding bonds	\$ 16,045,000	\$ -	\$ (440,000)	\$ 15,605,000
Capital appreciation bonds -				
Series 2005 B refunding bonds	1,609,916	-	-	1,609,916
Capital appreciation bonds -				
Accreted interest	<u>638,101</u>	<u>254,690</u>	<u>-</u>	<u>892,791</u>
Total G.O. bonds	<u>\$ 18,293,017</u>	<u>\$ 254,690</u>	<u>\$ (440,000)</u>	<u>\$ 18,107,707</u>

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

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 450,000	\$ 757,150	\$ 1,207,150	\$ -	\$ -	\$ -
2011	565,000	739,388	1,304,388	-	-	-
2012	-	729,500	729,500	841,132	868,868	1,710,000
2013	-	729,500	729,500	768,784	971,216	1,740,000
2014	1,880,000	682,500	2,562,500	-	-	-
2015 - 2019	11,225,000	1,832,375	13,057,375	-	-	-
2020	<u>1,485,000</u>	<u>37,125</u>	<u>1,522,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 15,605,000</u>	<u>\$ 5,507,538</u>	<u>\$ 21,112,538</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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 \$635,708 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.

The following is a schedule of activity for fiscal year 2009 on the Series 2007 refunding bonds:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
Series 2007 refunding bonds	\$ 39,530,000	\$ -	\$ (340,000)	\$ 39,190,000
Capital appreciation bonds -				
Series 2007 refunding bonds	1,199,973	-	-	1,199,973
Capital appreciation bonds -				
Accreted interest	<u>319,432</u>	<u>316,276</u>	<u>-</u>	<u>635,708</u>
Total G.O. bonds	<u>\$ 41,049,405</u>	<u>\$ 316,276</u>	<u>\$ (340,000)</u>	<u>\$ 41,025,681</u>

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

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 355,000	\$ 1,641,592	\$ 1,996,592	\$ -	\$ -	\$ -
2011	370,000	1,627,092	1,997,092	-	-	-
2012	385,000	1,611,992	1,996,992	-	-	-
2013	400,000	1,596,292	1,996,292	-	-	-
2014	415,000	1,579,992	1,994,992	-	-	-
2015 - 2019	1,685,000	7,824,760	9,509,760	1,199,973	5,540,027	6,740,000
2020 - 2024	9,495,000	6,589,128	16,084,128	-	-	-
2025 - 2029	11,690,000	4,347,199	16,037,199	-	-	-
2030 - 2034	<u>14,395,000</u>	<u>1,716,046</u>	<u>16,111,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 39,190,000</u>	<u>\$ 28,534,093</u>	<u>\$ 67,724,093</u>	<u>\$ 1,199,973</u>	<u>\$ 5,540,027</u>	<u>\$ 6,740,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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, 2009, are a voted debt margin of \$54,108,856 (including available funds of \$6,007,433) and an unvoted debt margin of \$1,292,049.

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 employed to work no more than 226 days. 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 330 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 67 days.

B. Early Retirement Incentive - STRS Ohio

The District provides an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who are eligible for retirement under STRS Ohio guidelines and retire effective at the end of the fiscal year 2007 or 2008 school year. Employees who enroll in the early retirement incentive plan will receive two years of service credit from STRS Ohio paid by the District in addition to their severance payment. This is a one time opportunity for those eligible in fiscal years 2007 or 2008. The cost of service credit is calculated and provided to the District by STRS Ohio. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before June 1, 2008. The early retirement incentive buyout amounts are paid in two cash payments in January of the year following their retirement and following year. Twenty nine employees took advantage of the early retirement incentive in fiscal year 2007. The final payments for these employees were made during fiscal year 2009. Twenty six employees took advantage of the early retirement incentive in fiscal year 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

C. Early Retirement Incentive - SERS

The District provides an early retirement incentive plan for School Employee Retirement System (SERS) employees who are eligible for retirement under SERS guidelines and retire effective at the end of the fiscal year 2007 or 2008 school year. Employees who enroll in the early retirement incentive plan can choose either one year of service credit under SERS or \$3.00/hour times the number of hours worked per day times the number of days per year. This is a one time opportunity for those eligible in fiscal years 2007 or 2008. The cost of the service credit is calculated and provided to the District by SERS. Employees who enroll in the early retirement incentive plan must submit written notification to the Board on or before June 1, 2008. The early retirement incentive buyout amounts are paid in one cash payment in January of the year following their retirement. Six employees took advantage of the early retirement incentive in fiscal year 2008. The final payments for these employees were made during fiscal year 2009. One employee took advantage of the early retirement incentive in fiscal year 2009. A liability for the remaining severance payments has been recorded in the fund financial statements for the amount expected to be liquidated with expendable available financial resources.

D. Life Insurance

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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, 2008 through September 1, 2009. 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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
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

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 \$1,035.08 for family coverage and \$426.09 for single coverage per employee per month. The District pays dental premiums of \$133.47 for family coverage and \$54.10 for single coverage per employee per month. The District pays vision premiums of \$28.33 for family coverage and \$11.40 for single coverage.

C. Workers' Compensation

For fiscal year 2009, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$635,094, \$645,025 and \$678,025, respectively; 45.64 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 13 - PENSION PLANS - (Continued)

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 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$2,760,548, \$2,755,824 and \$2,772,476, respectively; 82.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$52,269 made by the District and \$84,964 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, 2009, 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and 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.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$396,378, \$429,790 and \$374,951, respectively; 45.64 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$52,401, \$46,478 and \$46,106, respectively; 45.64 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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 2009, 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, 2009, 2008, and 2007 were \$212,350, \$211,986 and \$213,267, respectively; 82.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 revenues, 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);

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (841,811)
Net adjustment for revenue accruals	211,824
Net adjustment for expenditure accruals	1,444,297
Net adjustment for other sources/uses	72,441
Adjustment for encumbrances	<u>615,806</u>
GAAP basis	<u>\$ 1,502,557</u>

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2009.

B. Litigation

The District is not party to legal proceedings at June 30, 2009.

NOTE 17 - STATUTORY RESERVES

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 year end. These amounts must be carried forward to be used for the same purposes in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(CONTINUED)

NOTE 17 - STATUTORY RESERVES - (Continued)

During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (929,060)	\$ -
Current year set-aside requirement	921,890	921,890
Current year offsets	-	(1,169,573)
Qualifying disbursements	<u>(688,275)</u>	<u>-</u>
Total	<u>\$ (695,445)</u>	<u>\$ (247,683)</u>
Balance carried forward to FY 2010	<u>\$ (695,445)</u>	<u>\$ -</u>

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

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

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2009</u>
Roof T.E.C., Inc.	\$ 24,535	\$ (13,035)	\$ 11,500
Harris/Day Architects	6,000	(2,300)	3,700
Advanced Roofing	19,235	(15,000)	4,235
Vasco Asphalt Paving	41,237	-	41,237
Hicks Roofing	<u>266,982</u>	<u>-</u>	<u>266,982</u>
Total	<u>\$ 357,989</u>	<u>\$ (30,335)</u>	<u>\$ 327,654</u>

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JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Direct</i>						
Carol M. White Physical Education Grant	NA	84.215	\$82,459		\$83,874	
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049858-C1S1-2007 049858-C1S1-2009	84.010	11,493 354,322		19,723 272,429	
Total Title I Grants to Local Educational Agencies			365,815		292,152	
Special Education Cluster: Special Education Grants to States	049858-6BSD-2008 049858-6BSD-2009	84.027	38,133 821,501		102,511 767,215	
Total Special Education Cluster/Special Education Grants to States			859,634		869,726	
Safe and Drug-Free Schools and Communities State Grants	049858-DRS1-2008 049858-DRS1-2009	84.186	- 11,392		295 10,895	
Total Safe and Drug-Free Schools and Communities State Grants			11,392		11,190	
Education Technology State Grants	049858-TJSI-2009	84.318	3,318		2,076	
Innovative Education Program Strategies	049858-C2S1-2009	84.298	4,063		4,063	
English Language Acquisition Grants	049858-T3S1-2009 049858-T3S2-2009	84.365	21,809 4,488		21,809 4,488	
Total English Language Acquisition Grants			26,297		26,297	
Improving Teacher Quality State Grants	049858-TRS1-2008 049858-TRS1-2009	84.367	11,635 128,200		20,693 127,350	
Total Improving Teacher Quality State Grants			139,835		148,043	
Vocational Education Basic Grants to States	N/A - 2008 N/A - 2009	84.048	- 40,352		1,423 40,352	
Total Vocational Education Basic Grants to States			40,352		41,775	
<i>Total Passed-Through the Ohio Department of Education</i>			1,450,706		1,395,322	
Total U.S. Department of Education			1,533,165		1,479,196	
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster: National School Lunch Program	N/A	10.555	307,212	\$79,464	307,212	\$79,600
Total U.S. Department of Agriculture			307,212	79,464	307,212	79,600
Totals			<u>\$1,840,377</u>	<u>\$79,464</u>	<u>\$1,786,408</u>	<u>\$79,600</u>

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

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Jackson Local School District's (the District's) federal award programs' receipts and expenditures. 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

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 4, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Jackson Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Jackson Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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www.auditor.state.oh.us

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

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

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

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

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

Mary Taylor, CPA
Auditor of State

December 4, 2009

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on March 18, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 4, 2009



Mary Taylor, CPA
Auditor of State

JACKSON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 5, 2010**