



**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2005, 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, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2006 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures 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.



Betty Montgomery
Auditor of State

March 17, 2006

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. 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 2005 are as follows:

- In total, net assets of governmental activities decreased \$2,722,176 which represents a 29.10% decrease from 2004.
- General revenues accounted for \$48,020,462 in revenue or 91.48% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions, and capital grants and contributions accounted for \$4,472,292 or 8.52% of total revenues of \$52,492,754.
- The District had \$55,214,930 in expenses related to governmental activities; \$4,472,292 of these expenses was offset by program specific charges for services, operating grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were not adequate to provide for these programs.
- The District has three major funds. They are the general fund, debt service fund and building fund. The general fund had \$41,668,865 in revenues and other financing sources and \$44,343,541 in expenditures and other financing uses. The general fund's fund balance decreased from \$7,818,884 to \$5,143,944.
- The debt service fund had \$34,404,474 in revenues and other financing sources and \$83,506,771 in expenditures and other financing uses. The debt service fund's fund balance decreased from \$52,785,192 to \$3,682,895.
- The building fund had \$367,645 in revenues and \$5,341,101 in expenditures. The building fund's fund balance decreased from \$48,612,470 to \$43,639,014.

Using this Financial Report

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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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 24-54 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 98,217,611	\$ 153,867,335
Capital assets	39,371,447	35,767,628
Total assets	137,589,058	189,634,963
<u>Liabilities</u>		
Current liabilities	41,868,321	42,130,732
Long-term liabilities	89,088,615	138,149,933
Total liabilities	130,956,936	180,280,665
<u>Net Assets</u>		
Invested in capital assets, net of related debt	1,831,532	746,361
Restricted	6,319,500	5,105,192
Unrestricted (deficit)	(1,518,910)	3,502,745
Total net assets	\$ 6,632,122	\$ 9,354,298

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$6,632,122.

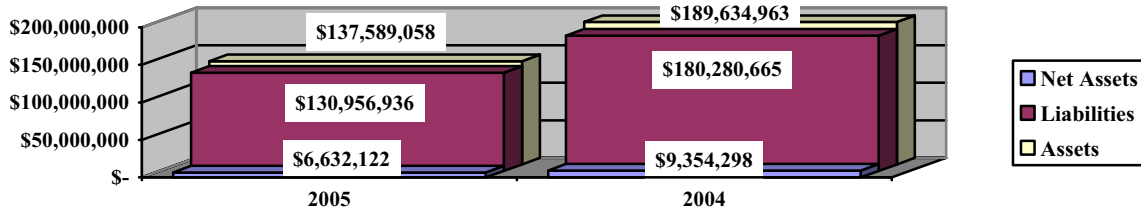
**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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At year-end, capital assets represented 28.62% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$1,831,532. 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, \$6,319,500, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$3,596,751 is restricted for debt service and \$2,504,776 is restricted for capital projects. The remaining balance of unrestricted net assets is a deficit of \$1,518,910.

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,804,406	\$ 2,801,959
Operating grants and contributions	1,621,581	1,471,753
Capital grants and contributions	46,305	-
General revenues:		
Property taxes	36,975,768	33,870,991
Grants and entitlements	9,793,210	9,868,222
Investment earnings	1,044,966	543,424
Other	<u>206,518</u>	<u>7,066</u>
Total revenues	<u>52,492,754</u>	<u>48,563,415</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Change in Net Assets

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 22,167,384	\$ 20,821,641
Special	3,060,800	2,676,619
Vocational	1,358,578	1,275,289
Adult	112,971	-
Other	870,194	958,583
Support services:		
Pupil	3,653,133	3,400,840
Instructional staff	2,013,730	1,406,964
Board of education	17,497	21,157
Administration	3,337,634	3,270,876
Fiscal	1,157,100	985,862
Business	363,883	376,885
Operations and maintenance	5,392,746	5,460,673
Pupil transportation	3,360,988	3,022,710
Central	1,362,886	1,282,432
Food service operations	1,568,172	1,611,210
Operations of non-instructional services	2,538	3,315
Extracurricular activities	1,577,583	1,530,528
Intergovernmental-pass through	49,505	43,581
Interest and fiscal charges	<u>3,787,608</u>	<u>2,454,422</u>
Total expenses	<u>55,214,930</u>	<u>50,603,587</u>
Change in net assets	(2,722,176)	(2,040,172)
Net assets at beginning of year	<u>9,354,298</u>	<u>11,394,470</u>
Net assets at end of year	<u>\$ 6,632,122</u>	<u>\$ 9,354,298</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$2,722,176. Total governmental expenses of \$55,214,930 were offset by program revenues of \$4,472,292 and general revenues of \$48,020,462. Program revenues supported 8.10% of the total governmental expenses.

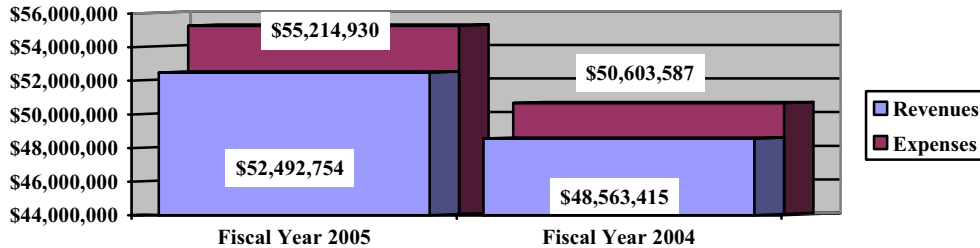
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources account for 70.44% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Stark County in 2000, the District's tax valuation increased by 13% that year.

**JACKSON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

Governmental Activities - Revenues and Expenses



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

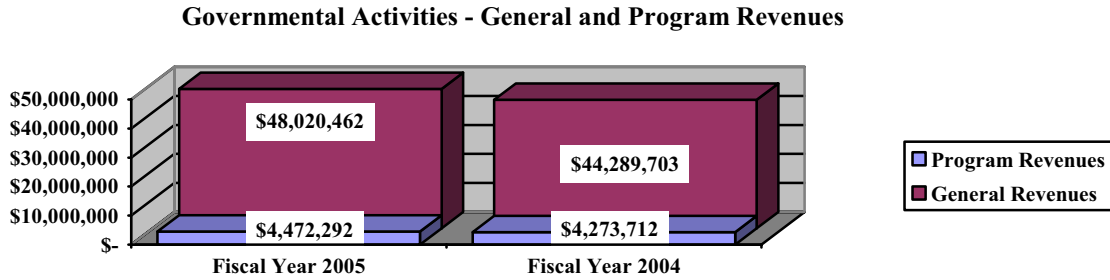
	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 22,167,384	\$ 21,313,333	\$ 20,821,641	\$ 20,023,740
Special	3,060,800	2,307,815	2,676,619	2,113,489
Vocational	1,358,578	1,180,866	1,275,289	1,127,506
Adult	112,971	72,704		
Other	870,194	870,194	958,583	768,112
Support services:				
Pupil	3,653,133	3,466,345	3,400,840	3,218,110
Instructional staff	2,013,730	1,710,099	1,406,964	1,256,334
Board of education	17,497	17,497	21,157	21,157
Administration	3,337,634	3,181,390	3,270,876	3,154,165
Fiscal	1,157,100	1,154,655	985,862	984,980
Business	363,883	363,871	376,885	376,885
Operations and maintenance	5,392,746	5,354,330	5,460,673	5,424,924
Pupil transportation	3,360,988	3,348,982	3,022,710	3,011,918
Central	1,362,886	1,262,196	1,282,432	1,179,123
Food service operations	1,568,172	254,381	1,611,210	191,569
Operations of non-instructional services	2,538	(400)	3,315	425
Extracurricular activities	1,577,583	1,047,267	1,530,528	979,435
Intergovernmental pass-through	49,505	49,505	43,581	43,581
Interest and fiscal charges	3,787,608	3,787,608	2,454,422	2,454,422
Total	<u>\$ 55,214,930</u>	<u>\$ 50,742,638</u>	<u>\$ 50,603,587</u>	<u>\$ 46,329,875</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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The dependence upon tax and other general revenues for governmental activities is apparent, 93.38% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 92.78%. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$54,069,386, which is lower than last year's total of \$110,762,505. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance	Restated Fund Balance	Increase (Decrease)	Percentage Change
	June 30, 2005	June 30, 2004		
General	\$ 5,143,944	\$ 7,818,884	\$ (2,674,940)	(34.21) %
Debt Service	3,682,895	52,785,192	(49,102,297)	(93.02) %
Building	43,639,014	48,612,470	(4,973,456)	(10.23) %
Other Governmental	<u>1,603,533</u>	<u>1,545,959</u>	<u>57,574</u>	3.72 %
Total	\$ 54,069,386	\$ 110,762,505	\$ (56,693,119)	(51.18) %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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General Fund

During fiscal year 2005, the District's general fund balance decreased \$2,674,940, which can be attributed to increased expenditures during fiscal year 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2005	Restated	Increase	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 31,311,060	\$ 29,607,756	\$ 1,703,304	5.75 %
Tuition	170,366	141,092	29,274	20.75 %
Earnings on investments	406,839	163,468	243,371	148.88 %
Intergovernmental	9,137,372	9,324,710	(187,338)	(2.01) %
Other revenues	<u>513,460</u>	<u>354,675</u>	<u>158,785</u>	44.77 %
Total	<u>\$ 41,539,097</u>	<u>\$ 39,591,701</u>	<u>\$ 1,947,396</u>	4.92 %
<u>Expenditures</u>				
Instruction	\$ 24,868,182	\$ 22,601,192	\$ 2,266,990	10.03 %
Support services	17,923,712	17,381,813	541,899	3.12 %
Extracurricular activities	999,172	983,554	15,618	1.59 %
Intergovernmental pass-through	49,505	43,581	5,924	13.59 %
Facilities acquisition and construction	35,009	15,336	19,673	128.28 %
Capital outlay	129,768	-	129,768	100.00 %
Debt service	<u>100,193</u>	<u>85,876</u>	<u>14,317</u>	16.67 %
Total	<u>\$ 44,105,541</u>	<u>\$ 41,111,352</u>	<u>\$ 2,994,189</u>	7.28 %

**JACKSON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Debt Service

During fiscal year 2005, the District's debt service fund balance decreased \$49,102,297 due to the maturity of bond anticipation notes exceeding proceeds from the refunding of bonds for the District building project. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2005</u>	<u>2004</u>	Increase	Percentage
	<u>Amount</u>	<u>Amount</u>	(Decrease)	<u>Change</u>
<u>Revenues and</u>				
<u>Other financing sources</u>				
Taxes	\$ 4,568,149	\$ 3,299,572	\$ 1,268,577	38.45 %
Intergovernmental	529,713	406,870	122,843	30.19 %
Premium/accrued interest from bonds	2,821,744	2,077,944	743,800	35.79 %
Proceeds from sale of bonds	<u>26,484,868</u>	<u>48,499,938</u>	<u>(22,015,070)</u>	(45.39) %
Total	<u>\$34,404,474</u>	<u>\$54,284,324</u>	<u>\$(19,879,850)</u>	(36.62) %
<u>Expenditures</u>				
Fiscal	\$ 172,226	\$ 53,386	\$ 118,840	222.61 %
Debt Service:				
Principal	50,520,000	1,910,000	48,610,000	2,545.03 %
Interest and fiscal charges	3,507,933	1,775,599	1,732,334	97.56 %
Bond issuance costs	375,936	552,332	(176,396)	(31.94) %
Payment to refunded bond escrow	<u>28,930,676</u>	<u>-</u>	<u>28,930,676</u>	100.00 %
Total	<u>\$83,506,771</u>	<u>\$ 4,291,317</u>	<u>\$ 79,215,454</u>	1,845.95 %

Building

During fiscal year 2005, the District's building fund balance decreased \$4,973,456 due to construction. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2005</u>	<u>2004</u>	Increase	Percentage
	<u>Amount</u>	<u>Amount</u>	(Decrease)	<u>Change</u>
<u>Revenues and other</u>				
<u>financing sources</u>				
Earnings on investments	\$ 367,645	\$ 258,850	\$ 108,795	42.03 %
Proceeds from sale of notes	<u>-</u>	<u>48,500,000</u>	<u>(48,500,000)</u>	(100.00) %
Total	<u>\$ 367,645</u>	<u>\$ 48,758,850</u>	<u>\$(48,391,205)</u>	(99.25) %
<u>Expenditures</u>				
Fiscal	\$ 29,890	\$ -	\$ 29,890	100.00 %
Facilities acquisition and construction	<u>5,311,211</u>	<u>634,597</u>	<u>4,676,614</u>	736.94 %
Total	<u>\$ 5,341,101</u>	<u>\$ 634,597</u>	<u>\$ 4,706,504</u>	741.65 %

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$41,492,147 were \$451,079 lower than the original budgeted revenues estimate of \$41,943,226. Actual revenues and other financing sources of \$41,496,695 approximated the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$44,195,630 were \$499,078 lower than the final appropriations (appropriated expenditures plus other financing uses) of \$44,694,708, which were the same as the original appropriations, due to good planning and a tight control of overall expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$39,371,447 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and construction in progress. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

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

	Governmental Activities	
	2005	2004
Land	\$ 1,974,208	\$ 1,974,208
Land improvements	1,277,466	557,357
Buildings and improvements	28,878,040	29,955,912
Furniture and equipment	742,657	885,046
Vehicles	2,325,699	2,395,105
Construction in progress	4,173,377	-
Total	\$ 39,371,447	\$ 35,767,628

The primary increase occurred in construction in progress related to various District building projects. Total additions to capital assets for 2005 were \$5,858,575. The increase in capital assets is due to capital outlays exceeding depreciation expense in the amount of \$2,172,759 and disposals, net of depreciation, of \$81,997.

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

**JACKSON LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Debt Administration

At June 30, 2005 the District had \$82,023,324 in general obligation bonds outstanding. These issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$2,045,000 is due within one year and \$79,978,324 is due within greater than one year. The following table summarizes the bonds and note outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Current interest bonds - 2005A	\$ 6,015,000	\$ -
Capital appreciation bonds - 2005A	1,533,267	-
Current interest bonds - 2005B	17,435,000	-
Capital appreciation bonds - 2005B	1,629,175	-
Current interest bonds - 2004	47,225,000	47,225,000
Capital appreciation bonds - 2004	1,506,691	1,282,309
Bond anticipation note - 2004	-	48,500,000
Current interest bonds - 2000	3,615,000	23,220,000
Capital appreciation bonds - 2000	1,340,583	1,206,077
Current interest bonds - 1993	-	8,900,000
Capital appreciation bonds - 1993	<u>1,723,608</u>	<u>1,560,077</u>
Total	<u>\$ 82,023,324</u>	<u>\$ 131,893,463</u>

At June 30, 2005, the District's overall legal debt margin was \$29,430,175 with an unvoted debt margin of \$1,197,451.

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

Current Financial Related Activities

Overall, the Jackson Local School District has been financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. The triennial update of property values occurred in tax year 2003 so that taxes collected in calendar year 2004 reflect increases related to this update. There will be a full reappraisal for tax year 2006. The additional revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses through fiscal year 2006. This does not mean the financial stability of the District is without challenges.

A significant challenge is the loss of state foundation revenues due to charge-offs for post-secondary option and children attending community schools. Children leaving the District for other schools due to open enrollment results in a significant loss in foundation funding.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Amended Substitute HB95 causes an acceleration of the phase-out of the inventory tax which begins in tax year 2005. Instead of the current 1 percentage point reduction in the tax rate, there will be a 2 percentage point reduction annually until the tax is completely eliminated. There is a "trigger" mechanism that is in place through tax year 2007 that would keep the inventory tax from being reduced in a year when no overall increase in tangible personal property tax is realized statewide. After 2007 the trigger will no longer apply and the 2 percentage point reduction will be allowed to occur. Because of the way tangible personal property tax returns are filed and taxes paid, there will be a relatively small reduction in the payment received in the spring of calendar year 2006. The larger impact will be realized in the fall of that year. There is also pending legislation which could further affect the dollars coming to the District from personal property taxes.

The District is faced with meeting the demands of growth. The current enrollment at the end of the first week of October in Fiscal Year 2005 was 5,555. That enrollment is expected to reach over 6,000 students by the 2007-2008 school year. Monitoring growth along with providing additional space for overcrowded buildings will be the theme that carries into fiscal year 2006. The District passed a 2.6 mill bond issue in March 2004 and has begun additions at Lake Cable Elementary and Amherst Elementary schools as well as 140,000 additional square feet in additions at Jackson High School.

Expenditures have risen significantly due to meeting the needs of negotiated agreements effective July 1, 2004 for certificated staff and effective July 1, 2005 for classified staff. Fuel costs and utility costs have risen sharply. The legislature continues to make decisions that have detrimental effects on school funding. The public schools in Ohio face the challenge of meeting many unfunded mandates. Examples would be Educational Management Information System (state), education of handicapped children (state, federal) and "No Child Left Behind" (federal) compliance. The district is continuing its efforts to control expenditures throughout the current forecast period. It is likely the District will seek additional dollars as well as replace the dollars represented by the levy that will expire as it collects through the 2006 calendar year.

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, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 58,769,221
Receivables:	
Taxes	37,677,883
Accounts	101,105
Intergovernmental	200,908
Accrued interest	326,666
Prepayments	4,079
Materials and supplies inventory	244,571
Unamortized bond issue costs	893,178
Capital assets:	
Land	1,974,208
Construction in progress	4,173,377
Depreciable capital assets, net	33,223,862
Capital assets, net.	39,371,447
 Total assets.	 137,589,058
 Liabilities:	
Accounts payable.	550,453
Accrued wages and benefits	5,389,108
Pension obligation payable.	1,118,969
Intergovernmental payable	166,959
Deferred revenue	34,433,301
Accrued interest payable	209,531
Long-term liabilities:	
Due within one year.	2,543,164
Due within more than one year	86,545,451
Total liabilities	130,956,936
 Net Assets:	
Invested in capital assets, net of related debt.	1,831,532
Restricted for:	
Capital projects	2,504,776
Debt service.	3,596,751
State funded programs	20,869
Federally funded programs	4,500
Student activities	192,604
Unrestricted (deficit).	(1,518,910)
Total net assets	\$ 6,632,122

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, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 22,167,384	\$ 550,457	\$ 257,289	\$ 46,305	\$ (21,313,333)
Special	3,060,800	-	752,985	-	(2,307,815)
Vocational	1,358,578	174,219	3,493	-	(1,180,866)
Adult	112,971	23,435	16,832	-	(72,704)
Other	870,194	-	-	-	(870,194)
Support services:					
Pupil	3,653,133	129,245	57,543	-	(3,466,345)
Instructional staff	2,013,730	4,665	298,966	-	(1,710,099)
Board of education	17,497	-	-	-	(17,497)
Administration	3,337,634	139,044	17,200	-	(3,181,390)
Fiscal	1,157,100	355	2,090	-	(1,154,655)
Business	363,883	12	-	-	(363,871)
Operations and maintenance	5,392,746	38,416	-	-	(5,354,330)
Pupil transportation	3,360,988	12,006	-	-	(3,348,982)
Central	1,362,886	62,894	37,796	-	(1,262,196)
Operation of non-instructional services:					
Food service operations	1,568,172	1,139,342	174,449	-	(254,381)
Other non-instructional services	2,538	-	2,938	-	400
Extracurricular activities	1,577,583	530,316	-	-	(1,047,267)
Intergovernmental pass-through	49,505	-	-	-	(49,505)
Interest and fiscal charges	3,787,608	-	-	-	(3,787,608)
Total governmental activities	\$ 55,214,930	\$ 2,804,406	\$ 1,621,581	\$ 46,305	(50,742,638)
General Revenues:					
Property taxes levied for:					
					31,285,593
					4,627,652
					1,062,523
Grants and entitlements not restricted					
					9,793,210
					1,044,966
					206,518
					<u>48,020,462</u>
					Change in net assets (2,722,176)
					<u>Net assets at beginning of year 9,354,298</u>
					<u>Net assets at end of year \$ 6,632,122</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 9,705,444	\$ 3,297,191	\$ 43,860,125	\$ 1,906,461	\$ 58,769,221
Receivables:					
Taxes	31,822,694	4,766,141	-	1,089,048	37,677,883
Accounts	100,982	-	-	123	101,105
Intergovernmental	53,794	-	-	147,114	200,908
Accrued interest	326,666	-	-	-	326,666
Interfund loans	79,398	-	-	-	79,398
Prepayments	4,079	-	-	-	4,079
Materials and supplies inventory	211,126	-	-	33,445	244,571
Total assets	<u>\$ 42,304,183</u>	<u>\$ 8,063,332</u>	<u>\$ 43,860,125</u>	<u>\$ 3,176,191</u>	<u>\$ 97,403,831</u>
Liabilities:					
Accounts payable	\$ 310,995	\$ -	\$ 221,111	\$ 18,347	\$ 550,453
Accrued wages and benefits	5,146,995	-	-	242,114	5,389,109
Compensated absences payable	290,831	-	-	5,151	295,982
Pension obligation payable	1,015,262	-	-	103,707	1,118,969
Intergovernmental payable	159,225	-	-	7,733	166,958
Interfund loan payable	-	-	-	79,398	79,398
Deferred revenue	30,236,931	4,380,437	-	1,116,208	35,733,576
Total liabilities	<u>37,160,239</u>	<u>4,380,437</u>	<u>221,111</u>	<u>1,572,658</u>	<u>43,334,445</u>
Fund Balances:					
Reserved for encumbrances	696,672	-	9,634,798	1,432,819	11,764,289
Reserved for materials and supplies inventory	211,126	-	-	33,445	244,571
Reserved for prepayments	4,079	-	-	-	4,079
Reserved for property tax unavailable for appropriation	1,896,507	385,704	-	70,122	2,352,333
Reserved for debt service	-	3,297,191	-	-	3,297,191
Undesignated, reported in:					
General fund	2,335,560	-	-	-	2,335,560
Special revenue funds	-	-	-	45,483	45,483
Capital projects funds	-	-	34,004,216	21,664	34,025,880
Total fund balances	<u>5,143,944</u>	<u>3,682,895</u>	<u>43,639,014</u>	<u>1,603,533</u>	<u>54,069,386</u>
Total liabilities and fund balances	<u>\$ 42,304,183</u>	<u>\$ 8,063,332</u>	<u>\$ 43,860,125</u>	<u>\$ 3,176,191</u>	<u>\$ 97,403,831</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, 2005

Total governmental fund balances		\$	54,069,386
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			39,371,447
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	893,849	
Intergovernmental		97,282	
Accrued interest		309,144	
		1,300,275	
Total			1,300,275
Unamortized deferred charges are not recognized in the funds.			2,356,353
Unamortized premiums on bond issuance is not recognized in the funds.			(4,624,264)
Unamortized bond issuance costs are not recognized in the funds.			893,178
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(209,531)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(4,340,726)	
General obligation bonds payable		(82,023,324)	
Capital lease obligation payable		(160,672)	
		(86,524,722)	
Total			(86,524,722)
Net assets of governmental activities		\$	6,632,122

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, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 31,311,060	\$ 4,568,149	\$ -	\$ 1,062,124	\$ 36,941,333
Tuition	170,366	-	-	85,643	256,009
Transportation fees	12,006	-	-	-	12,006
Charges for services	-	-	-	1,139,342	1,139,342
Earnings on investments	406,839	-	367,645	-	774,484
Extracurricular	-	-	-	644,589	644,589
Classroom materials and fees	233,332	-	-	79,672	313,004
Other local revenues	268,122	-	-	377,852	645,974
Other revenue	34,630	-	-	-	34,630
Intergovernmental - State	9,068,482	529,713	-	388,619	9,986,814
Intergovernmental - Federal	34,260	-	-	1,308,241	1,342,501
Total revenue	<u>41,539,097</u>	<u>5,097,862</u>	<u>367,645</u>	<u>5,086,082</u>	<u>52,090,686</u>
Expenditures:					
Current:					
Instruction:					
Regular	20,571,247	-	-	409,452	20,980,699
Special	2,274,963	-	-	722,257	2,997,220
Vocational	1,152,407	-	-	153,219	1,305,626
Adult	-	-	-	112,971	112,971
Other	869,565	-	-	-	869,565
Support services:					
Pupil	3,408,082	-	-	179,087	3,587,169
Instructional staff	1,576,521	-	-	300,685	1,877,206
Board of education	17,497	-	-	-	17,497
Administration	3,132,887	-	-	216,099	3,348,986
Fiscal	946,043	172,226	29,890	22,162	1,170,321
Business	281,788	-	-	25	281,813
Operations and maintenance	4,422,620	-	-	366	4,422,986
Pupil transportation	2,957,739	-	-	312,910	3,270,649
Central	1,180,535	-	-	151,497	1,332,032
Operation of non-instructional services:					
Food service operations	-	-	-	1,441,420	1,441,420
Other non-instructional services	-	-	-	2,538	2,538
Extracurricular activities	999,172	-	-	488,014	1,487,186
Intergovernmental pass-through	49,505	-	-	-	49,505
Facilities acquisition and construction	35,009	-	5,311,211	753,593	6,099,813
Capital outlay	129,768	-	-	-	129,768
Debt service:					
Principal retirement	90,886	50,520,000	-	-	50,610,886
Interest and fiscal charges	9,307	3,507,933	-	-	3,517,240
Bond issuance costs	-	375,936	-	-	375,936
Total expenditures	<u>44,105,541</u>	<u>54,576,095</u>	<u>5,341,101</u>	<u>5,266,295</u>	<u>109,289,032</u>
Excess of revenues under expenditures	<u>(2,566,444)</u>	<u>(49,478,233)</u>	<u>(4,973,456)</u>	<u>(180,213)</u>	<u>(57,198,346)</u>
Other financing sources (uses):					
Transfers in	-	-	-	238,000	238,000
Transfers (out)	(238,000)	-	-	-	(238,000)
Capital lease transaction	129,768	-	-	-	129,768
Premium on sale of bonds	-	2,821,744	-	-	2,821,744
Sale of bonds	-	26,484,868	-	-	26,484,868
Payment to refunded bond escrow	-	(28,930,676)	-	-	(28,930,676)
Total other financing sources (uses)	<u>(108,232)</u>	<u>375,936</u>	<u>-</u>	<u>238,000</u>	<u>505,704</u>
Net change in fund balances	<u>(2,674,676)</u>	<u>(49,102,297)</u>	<u>(4,973,456)</u>	<u>57,787</u>	<u>(56,692,642)</u>
Fund balances					
at beginning of year (restated)	7,818,884	52,785,192	48,612,470	1,545,959	110,762,505
Decrease in reserve for inventory	(264)	-	-	(213)	(477)
Fund balances at end of year	<u>\$ 5,143,944</u>	<u>\$ 3,682,895</u>	<u>\$ 43,639,014</u>	<u>\$ 1,603,533</u>	<u>\$ 54,069,386</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	(56,692,642)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period		
Capital asset additions	\$ 5,858,575	
Current year depreciation	(2,172,759)	
Total		3,685,816
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(81,997)
Repayment of general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liability on the statement of net assets.		
		26,485,000
Proceeds of refunding bonds are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement net assets.		
		(26,484,868)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		(2,650,511)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		342,406
Deferred charges are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance on the statement of activities.		
		2,356,353
Governmental funds report expenditures for inventory when purchased. However, on the statement of activities, they are reported as an expense when consumed.		
		(477)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Taxes	34,435	
Intergovernmental revenue	97,282	
Accrued interest	270,482	
Accounts receivable	(131)	
Total		402,068
Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		50,610,886
Proceeds of capital leases are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets		
		(129,768)
Governmental funds report expenditures for interest when it is due. On the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported on the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds		
Accrued interest	331,245	
Accreted interest on capital appreciation bonds	(649,993)	
Total		(318,748)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(245,694)
Change in net assets of governmental activities	\$	(2,722,176)

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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 31,608,892	\$ 31,268,954	\$ 31,272,381	\$ 3,427
Tuition.	117,826	116,559	116,572	13
Earnings on investments.	433,162	428,504	428,551	47
Transportation fees.	11,474	11,351	11,352	1
Classroom materials and fees.	235,843	233,306	233,332	26
Other local revenues.	179,347	177,419	177,438	19
Intergovernmental - Intermediate.	35,003	34,626	34,630	4
Intergovernmental - State	9,166,065	9,067,488	9,068,482	994
Intergovernmental - Federal.	34,629	34,256	34,260	4
Total revenue	<u>41,822,241</u>	<u>41,372,463</u>	<u>41,376,998</u>	<u>4,535</u>
Expenditures:				
Current:				
Instruction:				
Regular	20,296,745	20,296,745	20,288,029	8,716
Special.	2,318,484	2,318,484	2,302,432	16,052
Vocational.	1,139,634	1,139,634	1,105,237	34,397
Other.	1,015,462	1,015,462	1,015,073	389
Support services:				
Pupil.	3,315,919	3,315,919	3,288,026	27,893
Instructional staff	1,567,048	1,567,048	1,532,954	34,094
Board of education	19,240	19,240	18,148	1,092
Administration.	3,224,818	3,224,818	3,172,806	52,012
Fiscal	956,567	956,567	954,277	2,290
Business	390,283	390,283	379,174	11,109
Operations and maintenance.	4,551,685	4,551,685	4,532,801	18,884
Pupil transportation	2,879,059	2,879,059	2,852,281	26,778
Central.	1,319,691	1,319,691	1,296,803	22,888
Extracurricular activities.	1,053,313	1,053,313	1,020,232	33,081
Facilities acquisition and construction.	92,260	92,260	69,269	22,991
Intergovernmental pass-through	49,600	49,600	49,505	95
Total expenditures	<u>44,189,808</u>	<u>44,189,808</u>	<u>43,877,047</u>	<u>312,761</u>
Excess of revenues over (under) expenditures.	<u>(2,367,567)</u>	<u>(2,817,345)</u>	<u>(2,500,049)</u>	<u>317,296</u>
Other financing sources (uses):				
Refund of prior year expenditure	8,213	8,125	8,126	1
Refund of prior year receipt.	(25,000)	(25,000)	(1,185)	23,815
Transfers (out)	(238,000)	(238,000)	(238,000)	-
Advances in.	112,772	111,559	111,571	12
Advances (out)	(141,900)	(141,900)	(79,398)	62,502
Other miscellaneous use of funds	(100,000)	(100,000)	-	100,000
Total other financing sources (uses)	<u>(383,915)</u>	<u>(385,216)</u>	<u>(198,886)</u>	<u>186,330</u>
Net change in fund balance	(2,751,482)	(3,202,561)	(2,698,935)	503,626
Fund balance at beginning of year.	10,259,144	10,259,144	10,259,144	-
Prior year encumbrances appropriated	1,242,047	1,242,047	1,242,047	-
Fund balance at end of year.	<u>\$ 8,749,709</u>	<u>\$ 8,298,630</u>	<u>\$ 8,802,256</u>	<u>\$ 503,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 41,687	\$ 114,080
Total assets.	41,687	\$ 114,080
Liabilities:		
Accounts payable.	-	\$ 795
Due to students	-	113,285
Total liabilities	-	\$ 114,080
Net Assets:		
Held in trust for scholarships	41,687	
Total net assets	\$ 41,687	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 983
Gifts and contributions.	7,592
	8,575
Total additions.	8,575
Deductions:	
Scholarships awarded	14,384
	(5,809)
Change in net assets	(5,809)
Net assets at beginning of year	47,496
Net assets at end of year.	\$ 41,687

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, 2005

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 60th largest by total enrollment among the 614 public school districts in the state and 3rd largest in Stark County. The District employs 232 non-certified, and 373 certified employees to provide services to 5,534 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

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

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

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

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

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

Stark County Tax Incentive Review Council (SCTIRC)

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 bond and principal and interest from governmental resources when the government is obligated in some manner for payment. It is also used to account for the accumulation or resources and payment of general obligation bonds and notes payable.

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgets

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

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

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds except the general fund which is at the object level., which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the object level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by object must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2005. The amounts reported in the budgetary statement reflect the original and final appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2005, investments were limited to overnight repurchase agreements, nonnegotiable certificates of deposits, federal agency securities, U.S. Government money market, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Under existing Ohio statutes all investment earning are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by board resolution. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$406,839, which includes \$299,963 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2005, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. 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.

O. Estimates

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

P. Interfund Activity

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2005, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 8,183,159	\$52,785,192	\$48,612,470	\$ 1,594,472	\$ 111,175,293
GASB Technical Bulletin No. 2004-2	<u>(364,275)</u>	<u>-</u>	<u>-</u>	<u>(48,513)</u>	<u>(412,788)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 7,818,884</u>	<u>\$52,785,192</u>	<u>\$48,612,470</u>	<u>\$ 1,545,959</u>	<u>\$ 110,762,505</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food service	\$ 152,660
Customer Revolving Fund	1,227
Communications	4,324
Entry Year Programs	54
SchoolNet	16
Ohio Reads	61
Miscellaneous State Grants	2,952
Title VI-B	38,902
Carl D. Perkins	172
Limited English Proficiency	20
Title I	15,451
Improving Teacher Quality	355
Continuous Improvement	20

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances result from adjustments for accrued liabilities.

C. Compliance

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At August 31, 2004, within the Debt Service Fund, the expenditures plus outstanding encumbrances of \$48,801,831 exceeded appropriations of \$2,803,200 by \$45,998,631, which was related to the debt issued by the District.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 moneys 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.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$1,987,548, exclusive of the \$5,460,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,300,000 of the District's bank balance of \$3,502,804 was exposed to custodial risk as discussed below, while \$202,804 was covered by Federal Deposit Insurance Corporation.

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

C. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Repurchase Agreement	\$ 5,460,000	\$ 5,460,000	\$ -	\$ -	\$ -	\$ -
STAR Ohio	7,949,217	7,949,217	-	-	-	-
U.S. Government Money Market	39,097,200	39,097,200	-	-	-	-
FHLMC	1,478,745	-	-	1,478,745	-	-
FHLB	1,472,345	-	987,500	-	-	484,845
FNMA	1,477,345	-	-	-	1,477,345	-
	<u>\$ 56,934,852</u>	<u>\$ 52,506,417</u>	<u>\$ 987,500</u>	<u>\$ 1,478,745</u>	<u>\$ 1,477,345</u>	<u>\$ 484,845</u>

The weighted average maturity of investments is .10 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

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, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 5,460,000	9.59
STAR Ohio	7,949,217	13.96
U.S. Government Money Market	39,097,200	68.67
FHLMC	1,478,745	2.60
FNMA	1,477,345	2.59
FHLB	1,472,345	2.59
	<u>\$ 56,934,852</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 1,987,548
Investments	56,934,852
Cash on hand	<u>2,588</u>
Total	<u>\$ 58,924,988</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 58,769,221
Private-purpose trust funds	41,687
Agency funds	<u>114,080</u>
Total	<u>\$ 58,924,988</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2005 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	\$ 79,398

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2005 are reported on the Statement of Net Assets.

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

<u>Transfers to Nonmajor Governmental Funds from:</u>	<u>Amount</u>
General Fund	\$ 238,000

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark and Summit Counties. The Stark County Auditor and the Summit County Fiscal Officer periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2005 was \$1,896,507 in the general fund, \$385,704 in the debt service fund and \$70,122 in the capital projects funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2004 was \$1,857,828 in the general fund, \$195,210 in the debt service fund, and \$67,320 in the capital projects funds.

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

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 1,017,552,290	88.18	\$ 1,050,762,900	87.75
Public Utility Personal	34,393,000	2.98	34,816,310	2.91
Tangible Personal Property	<u>102,029,769</u>	<u>8.84</u>	<u>111,871,948</u>	<u>9.34</u>
Total	<u>\$ 1,153,975,059</u>	<u>100.00</u>	<u>\$ 1,197,451,158</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.90		\$ 49.40	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005 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	\$ 37,677,883
Accounts	101,105
Accrued interest	326,666
Intergovernmental	<u>200,908</u>
Total	<u>\$ 38,306,562</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,974,208			\$ 1,974,208
Construction in progress	<u>-</u>	4,173,377	-	<u>4,173,377</u>
Total capital assets, not being depreciated	<u>1,974,208</u>	<u>4,173,377</u>	<u>-</u>	<u>6,147,585</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	644,639	780,587		1,425,226
Building and improvements	53,516,300	450,053		53,966,353
Furniture and equipment	2,056,063	90,877	(200,042)	1,946,898
Vehicles	<u>4,578,872</u>	<u>363,681</u>	<u>(91,599)</u>	<u>4,850,954</u>
Total capital assets, being depreciated	<u>60,795,874</u>	<u>1,685,198</u>	<u>(291,641)</u>	<u>62,189,431</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(87,282)	(60,478)		(147,760)
Building and improvements	(23,560,388)	(1,527,925)		(25,088,313)
Furniture and equipment	(1,171,017)	(151,269)	118,045	(1,204,241)
Vehicles	<u>(2,183,767)</u>	<u>(433,087)</u>	<u>91,599</u>	<u>(2,525,255)</u>
Total accumulated depreciation	<u>(27,002,454)</u>	<u>(2,172,759)</u>	<u>209,644</u>	<u>(28,965,569)</u>
Governmental activities capital assets, net	<u>\$ 35,767,628</u>	<u>\$ 3,685,816</u>	<u>\$ (81,997)</u>	<u>\$ 39,371,447</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,139,895
Special	39,718
Vocational	45,338
<u>Support Services:</u>	
Pupil	30,323
Instructional staff	66,895
Administration	38,636
Fiscal	4,219
Operations and maintenance	137,036
Pupil transportation	444,852
Central	41,718
Extracurricular activities	62,880
Food service operations	<u>121,249</u>
Total depreciation expense	<u><u>\$ 2,172,759</u></u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$425,641. 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 2005 totaled \$90,886 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 78,024
2007	42,704
2008	38,016
2009	<u>23,952</u>
Total minimum lease payments	182,696
Less amount representing interest	<u>(22,024)</u>
Total	<u><u>\$ 160,672</u></u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS

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

During fiscal year 2005, \$19,045,000 of the current interest bonds outstanding balance of \$23,220,000 was refunded. The District paid \$560,000 in principal on the current interest bonds during 2005. None of the capital appreciation bonds were refunded.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2010. The capital appreciation bonds mature on December 1, 2007 (effective interest 10.86%) and December 1, 2008 (effective interest 10.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the Statement of Net Assets at June 30, 2005 was \$3,615,000. A total of \$1,340,583 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2005.

The following is a schedule of activity for fiscal 2005 on the 2000 series general obligation bonds:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Current interest bonds	\$ 23,220,000	\$ -	\$(19,605,000)	\$ 3,615,000
Capital appreciation bonds	1,206,077	134,506	-	1,340,583
Total G.O. bonds	\$ 24,426,077	\$ 134,506	\$(19,605,000)	\$ 4,955,583

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 770,000	\$ 156,247	\$ 926,247	\$ -	\$ -	\$ -
2007	835,000	118,321	953,321	-	-	-
2008	-	98,490	98,490	416,961	488,039	905,000
2009	-	98,490	98,490	387,548	547,452	935,000
2010	965,000	74,847	1,039,847			
2011	1,045,000	24,602	1,069,602	-	-	-
Total	\$ 3,615,000	\$ 570,997	\$ 4,185,997	\$ 804,509	\$ 1,035,491	\$ 1,840,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

During fiscal year 2005, \$7,440,000 of these current interest bonds were refunded and the District paid \$1,460,000 in principal during 2005. The capital appreciation bonds were not refunded. The capital appreciation bonds mature on December 1, 2005 (effective interest 10.25%) and December 1, 2006 (effective interest 10.10%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. A total of \$1,194,488 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2005.

The following is a schedule of activity for fiscal 2005 on the 1993 series general obligation bonds:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Current interest bonds	\$ 8,900,000	\$ -	\$ (8,900,000)	\$ -
Capital appreciation bonds	1,560,077	163,531	-	1,723,608
Total G.O. bonds	\$ 10,460,077	\$ 163,531	\$ (8,900,000)	\$ 1,723,608

Year Ended	Capital Appreciation Bonds		
	Principal	Interest	Total
2006	\$ 433,799	\$ 1,056,201	\$ 1,490,000
2007	95,321	259,679	355,000
Total	\$ 529,120	\$ 1,315,880	\$ 1,845,000

- C. During fiscal year 2004, the District issued \$48,500,000 in bond anticipation notes to begin various building projects. The notes were retired on August 12, 2004 using the proceeds from the District's \$48,499,938 bond issue on May 19, 2004. In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to Be Refinanced", the bond anticipation notes were classified as long-term obligations. A summary of the bond anticipation note activity for fiscal year 2005 follows:

	Issue Date	Maturity Date	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Bond anticipation note	4/20/04	8/12/04	\$ 48,500,000	\$ -	\$ (48,500,000)	\$ -
			\$ 48,500,000	\$ -	\$ (48,500,000)	\$ -

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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 \$3,110,000. The interest rates on the current interest bonds range from 2.00% to 5.00%. The capital appreciation bonds mature on December 1, 2008 (effective interest 16.80%), December 1, 2009 (effective interest 16.80%) and December 1, 2010 (effective interest rate 16.80%), at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$1,274,938. A total of \$231,753 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2005.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2033.

The following is a schedule of activity for fiscal 2005 on the 2004 series general obligation bonds:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005
Current interest bonds	\$ 47,225,000	\$ -	\$ -	\$ 47,225,000
Capital appreciation bonds	1,282,309	224,382	-	1,506,691
Total G.O. bonds	\$ 48,507,309	\$ 224,382	\$ -	\$ 48,731,691

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 645,000	\$ 2,275,333	\$ 2,920,333	\$ -	\$ -	\$ -
2007	700,000	2,261,007	2,961,007	-	-	-
2008	900,000	2,241,883	3,141,883	-	-	-
2009	-	2,230,632	2,230,632	466,822	503,178	970,000
2010	-	2,230,633	2,230,633	417,751	602,249	1,020,000
2011 - 2015	4,740,000	10,791,821	15,531,821	390,365	729,635	1,120,000
2016 - 2020	7,215,000	9,343,375	16,558,375	-	-	-
2021 - 2025	9,235,000	7,261,987	16,496,987	-	-	-
2026 - 2030	11,915,000	4,528,788	16,443,788	-	-	-
2031 - 2034	11,875,000	1,223,625	13,098,625	-	-	-
Total	\$ 47,225,000	\$ 44,389,084	\$ 91,614,084	\$ 1,274,938	\$ 1,835,062	\$ 3,110,000

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2010 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$1,424,952. Total accreted interest of \$108,315 has been included in the statement of activities.

The reacquisition price exceeded the net carrying amount of the old debt by \$745,476. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nine years by 12.42% and resulted in an economic gain of \$924,273.

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

	Balance June 30, 2004	Additions	Reductions	Balance 06/30/05
Current interest bonds	\$ -	\$ 6,015,000	\$ -	\$ 6,015,000
Capital appreciation bonds	-	1,533,267	-	1,533,267
Total refunding bonds	<u>\$ -</u>	<u>\$ 7,548,267</u>	<u>\$ -</u>	<u>\$ 7,548,267</u>

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ -	\$ 181,987	\$ 181,987	\$ -	\$ -	\$ -
2007	745,000	172,675	917,675	-	-	-
2008	1,185,000	148,550	1,333,550	-	-	-
2009	1,235,000	116,756	1,351,756	-	-	-
2010	-	657,146	657,146	732,630	557,370	1,290,000
2011 - 2015	<u>2,850,000</u>	<u>869,015</u>	<u>3,719,015</u>	<u>692,322</u>	<u>667,678</u>	<u>1,360,000</u>
Total	<u>\$ 6,015,000</u>	<u>\$ 2,146,129</u>	<u>\$ 8,161,129</u>	<u>\$ 1,424,952</u>	<u>\$ 1,225,048</u>	<u>\$ 2,650,000</u>

- F. On April 21, 2005, the district issued general obligation bonds (Series 2500B Refunding Bonds to advance refund a portion of the Series 2000 Current Interest General Obligation Bonds (principal \$19,045,000). The issuance proceeds of \$19,044,916 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. The capital appreciation bonds mature December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005 was \$1,609,916. Total accreted interest of \$19,259 has been included in the statement of activities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

	Balance <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/05</u>
Current interest bonds	\$ -	\$ 17,435,000	\$ -	\$ 17,435,000
Capital appreciation bonds	-	<u>1,629,175</u>	-	<u>1,629,175</u>
Total refunding bonds	<u>\$ -</u>	<u>\$ 19,064,175</u>	<u>\$ -</u>	<u>\$ 19,064,175</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$1,700,200. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next fifteen years by 6.04% and resulted in an economic gain of \$1,150,605.

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 630,000	\$ 810,475	\$ 1,440,475	\$ -	\$ -	\$ -
2007	330,000	796,075	1,126,075	-	-	-
2008	430,000	784,675	1,214,675	-	-	-
2009	440,000	771,625	1,211,625	-	-	-
2010	450,000	757,150	1,207,150	-	-	-
2011 - 2015	4,450,000	5,306,347	9,756,347	1,609,916	1,840,084	3,450,000
2016 - 2020	<u>10,705,000</u>	<u>1,284,125</u>	<u>11,989,125</u>	-	-	-
Total	<u>\$ 17,435,000</u>	<u>\$ 10,510,472</u>	<u>\$ 27,945,472</u>	<u>\$ 1,609,916</u>	<u>\$ 1,840,084</u>	<u>\$ 3,450,000</u>

G. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2004</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2005</u>	Amount Due in <u>One Year</u>
General obligation bonds	\$ 83,393,463	\$ 27,134,861	\$ (28,505,000)	\$ 82,023,324	\$ 2,045,000
Bond anticipation notes	48,500,000	-	(48,500,000)	-	-
Capital lease obligation	121,790	129,768	(90,886)	160,672	67,615
Compensated absences	<u>4,160,927</u>	<u>691,967</u>	<u>(216,186)</u>	<u>4,636,708</u>	<u>430,549</u>
Total	<u>\$ 136,176,180</u>	<u>\$ 27,956,596</u>	<u>\$ (77,312,072)</u>	86,820,704	<u>\$ 2,543,164</u>
Less: deferred charge on refunding				(2,356,353)	
Add: unamortized premium				<u>4,624,264</u>	
Total on statement of net assets				<u>\$ 89,088,615</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

H. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$29,430,175 (including available funds of \$3,682,895) and an unvoted debt margin of \$1,197,451.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Life Insurance

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

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, 2004 through September 1, 2005. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Indiana Insurance		
Each occurrence		\$1,000,000	\$ 0
Aggregate		2,000,000	0
Building and contents	Indiana Insurance	Replacement cost	5,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Fleet:	Indiana Insurance		
Auto only		\$1,000,000	\$ 0
Uninsured Motorist		50,000	500
Umbrella liability	Indiana Insurance	6,000,000	5,000
Aggregate		6,000,000	10,000
			Retention
Employee Benefits Liability	Indiana Insurance		
Each occurrence		1,000,000	1,000
Aggregate		3,000,000	1,000
School leaders errors and omissions liability	Indiana Insurance		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	2,500
School law enforcement liability	Indiana Insurance		
Each occurrence		1,000,000	2,500
Aggregate		1,000,000	2,500
Sexual misconduct and molestation liability	Indiana Insurance		
Each occurrence		1,000,000	0
Aggregate		1,000,000	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 Government's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of 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 \$736.52 for family coverage and \$303.18 for single coverage per employee per month and the District pays dental premiums of \$94.97 for family coverage and \$38.50 for single coverage per employee per month.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2005, the District participated in the Stark County Schools Council of Government's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were, \$956,668, \$882,831 and \$805,350, respectively; 49.02% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$487,680 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,929,466, \$2,743,527 and \$2,490,905, respectively; 83.16% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$493,424 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$28,135 made by the District and \$60,849 made by plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$209,248 during fiscal 2005.

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

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$332,148 during the 2005 fiscal year.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

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

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ (2,698,935)
Net adjustment for revenue accruals	162,099
Net adjustment for expenditure accruals	(1,220,847)
Net adjustment for other sources/uses	90,654
Adjustment for encumbrances	<u>992,353</u>
GAAP basis	<u>\$ (2,674,676)</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, 2005.

B. Litigation

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 16 – CONTINGENCIES - (Continued)

C. State School Funding Decision

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

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

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (1,299,720)	\$ -
Current year set-aside requirement	806,026	806,026
Qualifying disbursements	<u>(1,072,722)</u>	<u>(928,505)</u>
Total	<u>\$ (1,566,416)</u>	<u>\$ (122,479)</u>
Balance carried forward to FY 2006	<u>\$ (1,566,416)</u>	<u>\$ -</u>

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

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

NOTE 18 - SIGNIFICANT SUBSEQUENT EVENTS

A. District Treasurer

Doug Winkler, resigned as Treasurer on July 31, 2005 who was appointed Business Manager on August 1, 2005. Linda Paris was appointed Treasurer as of August 1, 2005.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2005, the District had the following contractual commitments outstanding related to the renovation of the Amherst and Lake Cable Elementary Schools and Jackson High School. A summary of the primary contractual commitments follows:

<u>Project/Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2005</u>
Amherst/Lake Cable Additions:			
Feinman Mechanical	\$ 384,686	\$ (272,919)	\$ 111,767
Fine Mechanical	156,498	(80,488)	76,010
Fire Foe Corporation	78,600	(20,995)	57,605
K. Company	126,600	(32,191)	94,409
Summit Construction	2,291,800	(1,432,155)	859,645
Roof Replacement (Barn):			
Advanced Industrial Roofing	35,979	(22,635)	13,344
Jackson HS Aux gym:			
Jeffrey Carr Construction	1,286,000	-	1,286,000
Fine Mechanical	24,375	(492)	23,883
Fire Foe Corporation	29,410	-	29,410
WW Schaub Electric	188,742	-	188,742
Soehnlén Piping	135,000	(2,933)	132,067
Jackson HS Early Site:			
Hilscher/Clarke	555,810	-	555,810
Summit Construction	2,365,460	(603,041)	1,762,419
Jackson HS Foundations/Steel:			
Jeffrey Carr Construction	1,829,000	-	1,829,000
Jackson HS Traffic Loop:			
Lampion Companies	49,909	-	49,909
Jackson HS Emergency Transfer:			
Schmid Plumbing and Heating	495,800	(71,807)	423,993
Hilscher/Clarke Electric	139,544	-	139,544
Gardner Trane	6,398	-	6,398
PVI Industries	44,196	-	44,196
Omar McDowell	19,240	-	19,240
Furbay Electric	34,260	-	34,260
D.B. Johnsen Co.	155,000	-	155,000
RL Deppmann Co.	8,036	-	8,036
Architectural/Construction Services:			
Harris Day Architects	2,368,000	(1,165,311)	1,202,689
Hammand Construction	2,055,327	(302,758)	1,752,569
Michael Dimaio and Associates	137,578	(132,700)	4,878
Total	<u>\$ 15,001,248</u>	<u>\$ (4,140,425)</u>	<u>\$ 10,860,823</u>

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**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Passed Through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	049858-C1S1-2004 049858-C1S1-2005	84.010	\$20,562 <u>132,883</u>		\$27,361 <u>123,894</u>	
Total Title I Grants to Local Educational Agencies			<u>153,445</u>		<u>151,255</u>	
Special Education Cluster: Special Education Grants to States	049858-6BSD-2004 049858-6BSF-2004 049858-6BSD-2005 049858-6BSF-2005	84.027	23,636 47,347 20,855 <u>690,015</u>		34,142 51,445 36,732 <u>673,192</u>	
Total Special Education Cluster/Special Education Grants to States			<u>781,853</u>		<u>795,511</u>	
Safe and Drug-Free Schools and Communities State Grants	049858-DRS1-2005	84.186	15,328		15,328	
Education Technology State Grants	049858-TJSI-2005	84.318	4,055		4,055	
Advanced Placement	N/A	84.330	260		260	
Innovative Education Program Strategies	049858-C2S1-2004 049858-C2S1-2005	84.298	<u>22,724</u>		5,875 <u>14,953</u>	
Total Innovative Education Program Strategies			<u>22,724</u>		<u>20,828</u>	
English Language Acquisition Grants	049858-T3S1-2004 049858-T3S2-2004 049858-T3S1-2005 049858-T3S2-2005	84.365	975 <u>27,177</u> 5,122		1,794 5 27,177 <u>5,122</u>	
Total English Language Acquisition Grants			<u>33,274</u>		<u>34,098</u>	
Improving Teacher Quality State Grants	049858-TRS1-2004 049858-TRS1-2005	84.367	<u>108,984</u> 108,984		4,319 <u>108,984</u> 113,303	
<i>Passed-Through Plain Local School District</i> Vocational Education Basic Grants to States	N/A - 2005	84.048	42,027		42,027	
Total Passed-Through Plain Local School District/Vocational Education Basic Grants to States			<u>42,027</u>		<u>42,027</u>	
Total U.S. Department of Education			<u>1,161,950</u>		<u>1,176,665</u>	
U.S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education</i>						
Child Nutrition Cluster: Food Donation National School Lunch Program	N/A N/A	10.550 10.555	<u>219,154</u>	\$55,724	<u>219,154</u>	\$55,724
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>219,154</u>	<u>55,724</u>	<u>219,154</u>	<u>55,724</u>
Totals			<u>\$1,381,104</u>	<u>\$55,724</u>	<u>\$1,395,819</u>	<u>\$55,724</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
JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON 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 the Jackson Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2006. 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 to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 17, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the District's management dated March 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Jackson Local School District
Stark County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*
Page 2

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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 17, 2006



Auditor of State Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Jackson Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Jackson Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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 "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 17, 2006

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027\84.173
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2005-001

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At August 31, 2004, within the Debt Service Fund, the expenditures plus outstanding encumbrances of \$48,801,831 exceeded appropriations of \$2,803,200 by \$45,998,631, which was related to the debt issued by the District.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the District's legal level of control to avoid overspending the appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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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
APRIL 11, 2006**