



Dave Yost • Auditor of State



**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2014 and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 19, 2014

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The management's discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$6,529,783 which represents a 14.64% increase from 2013.
- General revenues accounted for \$56,927,513 in revenue or 89.00% of all revenues. Program specific revenues in the form of charges for services and sales and operating grants and contributions accounted for \$7,035,264 or 11.00% of total revenues of \$63,962,777.
- The District had \$57,432,994 in expenses related to governmental activities; \$7,035,264 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and the debt service fund. The general fund had \$52,644,491 in revenues and other financing sources and \$46,370,213 in expenditures. The general fund's fund balance increased \$6,295,147 from \$14,630,473 to \$20,925,620.
- The debt service fund had \$17,492,962 in revenues and other financing sources and \$17,538,873 in expenditures and other financing uses. The debt service fund's fund balance decreased \$45,911 from \$2,875,035 to \$2,829,124.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of facilities, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-57 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	<b>Net Position</b>	
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 76,314,539	\$ 74,965,008
Capital assets, net	<u>83,312,845</u>	<u>86,369,938</u>
Total assets	<u>159,627,384</u>	<u>161,334,946</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred outflows of resources	<u>1,847,053</u>	<u>1,731,024</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,309,791	7,892,184
Long-term liabilities	<u>62,062,779</u>	<u>64,756,369</u>
Total liabilities	<u>68,372,570</u>	<u>72,648,553</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred inflows of resources	<u>41,963,658</u>	<u>45,808,991</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	31,051,574	30,300,685
Restricted	2,009,706	1,560,578
Unrestricted	<u>18,076,929</u>	<u>12,747,163</u>
Total net position	<u>\$ 51,138,209</u>	<u>\$ 44,608,426</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$51,138,209.

Assets of the District decreased \$1,707,562 or 1.06%. While current and other assets increased primarily due to an increase in equity in pooled cash and investments, the overall decrease can mainly be attributed to a decrease in capital assets due to current year depreciation exceeding current year additions.

At year-end, capital assets represented 52.19% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2014, was \$31,051,574. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

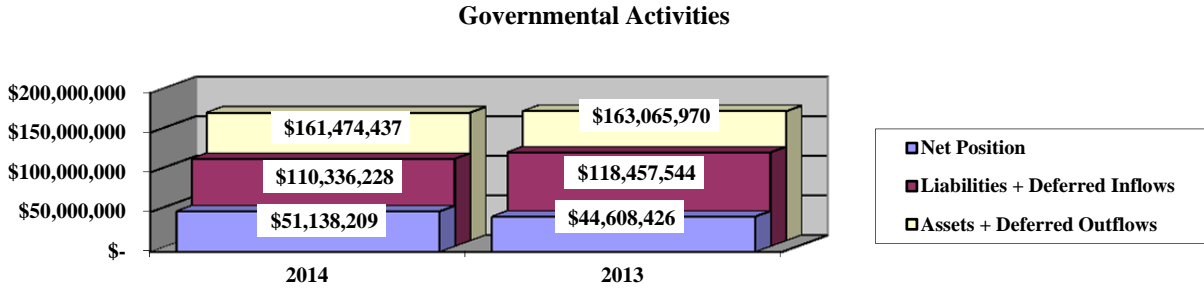
Liabilities of the District decreased \$4,275,983 or 5.89%. Current liabilities decreased due to a decrease in accrued wages and benefits payable related to summer insurance premiums of which the District received payment holidays in July and August. Long-term liabilities decreased due to the retirement of roughly \$3.5 million in general obligation bonds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

A portion of the District's net position, \$2,009,706, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,469,243 is restricted for capital projects. The remaining balance of unrestricted net position is \$18,076,929 and may be used to meet the District's ongoing obligations to citizens and creditors.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.



The table below shows the change in net position for fiscal years 2014 and 2013.

**Change in Net Position**

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 2,959,063	\$ 3,033,727
Operating grants and contributions	4,076,201	2,919,439
General revenues:		
Property taxes	44,166,161	41,408,818
Grants and entitlements	12,353,383	12,905,255
Payment in lieu of taxes	99,703	100,239
Investment earnings	107,379	710
Other	<u>200,887</u>	<u>116,760</u>
Total revenues	<u>63,962,777</u>	<u>60,484,948</u>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

**Change in Net Position (Continued)**

	<u>Governmental Activities 2014</u>	<u>Governmental Activities 2013</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 23,289,144	\$ 24,390,265
Special	4,965,689	4,624,226
Vocational	962,408	1,169,595
Adult/continuing	44,415	52,488
Other	1,604,091	1,454,960
Support services:		
Pupil	2,917,116	3,643,038
Instructional staff	2,977,201	2,562,273
Board of education	18,425	19,858
Administration	2,934,366	3,024,970
Fiscal	1,326,994	1,205,670
Business	404,376	359,454
Operations and maintenance	5,438,803	4,790,547
Pupil transportation	3,094,483	3,428,164
Central	382,317	962,580
Operations of non-instructional services:		
Other non-instructional services	4,745	3,604
Food service operations	2,127,700	2,096,769
Extracurricular activities	2,094,528	2,140,347
Interest and fiscal charges	2,846,193	3,034,839
Total expenses	<u>57,432,994</u>	<u>58,963,647</u>
Change in net position	6,529,783	1,521,301
Net position at beginning of year	<u>44,608,426</u>	<u>43,087,125</u>
Net position at end of year	<u>\$ 51,138,209</u>	<u>\$ 44,608,426</u>

**Governmental Activities**

Net position of the District's governmental activities increased \$6,529,783. Total governmental expenses of \$57,432,994 were offset by program revenues of \$7,035,264 and general revenues of \$56,927,513. Program revenues supported 12.25% of the total governmental expenses.

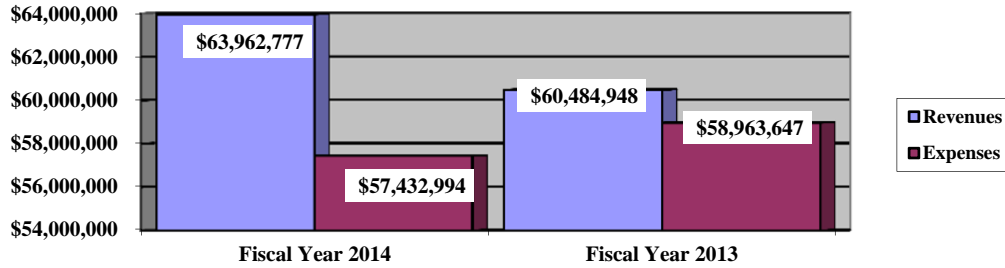
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 88.36% of total governmental revenue. The most significant increases were in the areas of operating grants and contributions and property taxes. Operating grants and contributions increased \$1,156,762 due primarily to an increase in special education funding from the State foundation program. Property taxes increased \$2,757,343 primarily due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the county auditors. Tax advances available are recorded as revenue under accounting principles generally accepted in the United States of America (GAAP). The amount of tax advances available at June 30, 2014, 2013 and 2012 was \$1,455,944, \$463,500 and \$2,330,623, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distribute tax bills.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

**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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
<b>Program expenses</b>				
Instruction:				
Regular	\$ 23,289,144	\$ 22,578,182	\$ 24,390,265	\$ 23,537,738
Special	4,965,689	2,503,250	4,624,226	3,403,029
Vocational	962,408	807,787	1,169,595	1,094,879
Adult/continuing	44,415	(130)	52,488	(2,602)
Other	1,604,091	1,604,091	1,454,960	1,454,960
Support services:				
Pupil	2,917,116	2,407,856	3,643,038	3,108,625
Instructional staff	2,977,201	2,609,387	2,562,273	2,103,469
Board of education	18,425	18,425	19,858	19,858
Administration	2,934,366	2,933,300	3,024,970	3,021,733
Fiscal	1,326,994	1,326,994	1,205,670	1,205,670
Business	404,376	404,376	359,454	359,454
Operations and maintenance	5,438,803	5,392,389	4,790,547	4,757,943
Pupil transportation	3,094,483	2,957,351	3,428,164	3,294,885
Central	382,317	382,317	962,580	951,778
Operations of non-instructional services:				
Other non-instructional services	4,745	4,745	3,604	3,604
Food service operations	2,127,700	328,595	2,096,769	336,233
Extracurricular activities	2,094,528	1,292,622	2,140,347	1,324,386
Interest and fiscal charges	2,846,193	2,846,193	3,034,839	3,034,839
<b>Total</b>	<u>\$ 57,432,994</u>	<u>\$ 50,397,730</u>	<u>\$ 58,963,647</u>	<u>\$ 53,010,481</u>

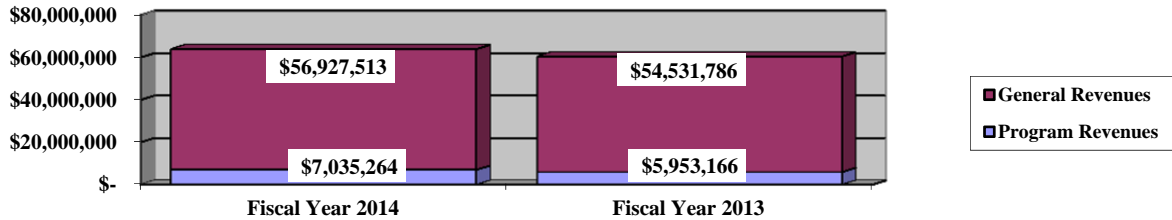
**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent as 89.07% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.75%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2014 and 2013.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$25,700,405, which is higher than last year's total of \$18,861,519. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 20,925,620	\$ 14,630,473	\$ 6,295,147	43.03 %
Debt Service	2,829,124	2,875,035	(45,911)	(1.60) %
Other Governmental	<u>1,945,661</u>	<u>1,356,011</u>	<u>589,650</u>	43.48 %
Total	<u>\$ 25,700,405</u>	<u>\$ 18,861,519</u>	<u>\$ 6,838,886</u>	36.26 %

**General Fund**

During fiscal year 2014, the District's general fund balance increased \$6,295,147.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues and</u></b>				
<b><u>Other financing sources</u></b>				
Taxes	\$ 38,219,701	\$ 35,128,501	\$ 3,091,200	8.80 %
Tuition	564,950	615,040	(50,090)	(8.14) %
Earnings on investments	101,120	5,137	95,983	1,868.46 %
Intergovernmental	12,775,504	11,966,331	809,173	6.76 %
Other revenues	972,110	1,052,195	(80,085)	(7.61) %
Sale of capital assets	<u>11,106</u>	<u>22,869</u>	<u>(11,763)</u>	(51.44) %
Total	<u>\$ 52,644,491</u>	<u>\$ 48,790,073</u>	<u>\$ 3,854,418</u>	7.90 %
<b><u>Expenditures and</u></b>				
<b><u>Other financing uses</u></b>				
Instruction	\$ 27,592,914	\$ 28,393,891	\$ (800,977)	(2.82) %
Support services	17,522,851	18,261,672	(738,821)	(4.05) %
Extracurricular activities	1,248,703	1,356,734	(108,031)	(7.96) %
Non-instructional services	4,745	3,604	1,141	31.66 %
Facilities acquisition and construction	1,000	190,276	(189,276)	(99.47) %
Transfers out	<u>-</u>	<u>11,415</u>	<u>(11,415)</u>	(100.00) %
Total	<u>\$ 46,370,213</u>	<u>\$ 48,217,592</u>	<u>\$ (1,847,379)</u>	(3.83) %

Overall revenues and other financing sources of the general fund increased \$3,854,418 or 7.90%. The most significant increases were in the areas of taxes, earnings on investments and intergovernmental revenue. Taxes increased \$3,091,200 due primarily to an increase in the amount of tax advance that was available to the District from the county auditors at June 30, 2014 versus June 30, 2013. This variance resulted in more tax revenue being reported in fiscal year 2014. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Earnings on investments increased due to an increase in interest rates earned on investments and more equity in pooled cash to invest. Intergovernmental revenues increased due to increases in special education State foundation funding.

Expenditures and other financing uses decreased \$1,847,379 or 3.83%. Instructional and support services decreased \$800,977 and \$738,821, respectively, due to a decrease in insurance costs that resulted from payment holidays earned by the District.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

***Debt Service Fund***

During fiscal year 2014, the District's debt service fund balance decreased \$45,911 due to scheduled principal and interest payments on the District's bonds exceeding tax collections. The District refunded a portion of the Series 2005 B bonds during fiscal year 2014. See Note 8 for details.

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues and</u></b>				
<b><u>Other financing sources</u></b>				
Taxes	\$ 4,915,601	\$ 4,943,674	\$ (28,073)	(0.57) %
Intergovernmental	816,741	902,017	(85,276)	(9.45) %
Premiums	1,055,620	-	1,055,620	100.00 %
Sale of bonds	<u>10,705,000</u>	<u>-</u>	<u>10,705,000</u>	100.00 %
Total	<u>\$ 17,492,962</u>	<u>\$ 5,845,691</u>	<u>\$ 11,647,271</u>	199.25 %
<b><u>Expenditures and</u></b>				
<b><u>Other financing uses</u></b>				
Support services	\$ 89,601	\$ 92,358	\$ (2,757)	(2.99) %
Debt service	5,743,548	7,178,029	(1,434,481)	(19.98) %
Payment to refunded bond escrow	<u>11,705,724</u>	<u>-</u>	<u>11,705,724</u>	100.00 %
Total	<u>\$ 17,538,873</u>	<u>\$ 7,270,387</u>	<u>\$ 10,268,486</u>	141.24 %

***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 2014, the District did not amend its general fund budget. For the general fund, original and final budgeted revenues and other financing sources were \$50,278,302. Actual revenue and other financing sources of \$51,634,318 were \$1,356,016 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$48,258,785 were \$572,304 lower than original and final appropriations (appropriated expenditures plus other financing uses) of \$48,831,089.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2014, the District had \$83,312,845 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

The table that follows shows June 30, 2014 balances compared to June 30, 2013:

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

	Governmental Activities	
	2014	2013
Land	\$ 2,457,911	\$ 2,457,911
Land improvements	3,304,430	3,679,878
Buildings and improvements	74,161,872	76,321,438
Furniture and equipment	703,106	866,713
Vehicles	844,937	1,021,656
Construction in progress	1,840,589	2,022,342
Total	\$ 83,312,845	\$ 86,369,938

The overall decrease of \$3,057,093 is the result of depreciation expense of \$3,415,447 exceeding capital asset additions of \$358,354.

See Note 7 to the basic financial statements for detail on the District's capital assets.

***Debt Administration***

At June 30, 2014 the District had \$54,667,159 in general obligation bonds outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$3,563,113 is due within one year and \$51,104,046 is due within greater than one year.

The table below summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2014	2013
Current interest bonds - 2007	\$ 37,265,000	\$ 37,680,000
Capital appreciation bonds - 2007	4,722,159	3,908,904
Current interest bonds - 2005A	-	10,000
Current interest bonds - 2005B	2,005,000	14,590,000
Current interest bonds - 2013	10,675,000	-
Current interest bonds - 2004	-	1,205,000
Total	\$ 54,667,159	\$ 57,393,904

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)

At June 30, 2014, the District's overall legal debt margin was \$58,732,802 with an unvoted debt margin of \$1,189,429.

See Note 8 to the basic financial statements for detail on the District's debt administration.

**Current Financial Related Activities**

The District has carefully managed its general fund budgets in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed periodically from the community's citizens. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance and continue a quality, comprehensive educational program.

Overall, the District continues to academically perform at a high level as determined by the State of Ohio. Our most recent State report card reflects a Performance Index grade of "A". The Performance Index measures the test results of every student, not just those who score proficient or higher. The State report card also shows the District achieving 100% of the State's defined set of Indicators Met. Indicators Met measures how many students have passed the State tests at a minimum level, called proficient, or higher. Test results are reported for each student in a grade and subject.

The Jackson Local School District continues to receive strong support from the residents of the School District which is evident by their support of local levies. In May 2011, the property taxpayers renewed the District's 6.4 mill, 5 year, emergency levy that generates \$8,350,000 annually for operating expenditures as a Substitute Levy. The Substitute Levy will allow the District to potentially receive additional tax revenue over the 5 years of the levy from new construction that occurs within the school district boundaries. The district also receives additional tax revenue from a 5.3 mill, 5 year, emergency levy, renewed in May 2014, which generates \$6,150,000 annually for operating expenditures.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(UNAUDITED)**

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 30,390,604
Receivables:	
Property taxes . . . . .	45,220,449
Payment in lieu of taxes . . . . .	96,704
Accounts . . . . .	32,462
Accrued interest . . . . .	9,621
Intergovernmental . . . . .	302,771
Prepayments . . . . .	90,516
Materials and supplies inventory . . . . .	171,412
Capital assets:	
Nondepreciable capital assets . . . . .	4,298,500
Depreciable capital assets, net . . . . .	79,014,345
Capital assets, net . . . . .	83,312,845
Total assets . . . . .	159,627,384
 <b>Deferred outflows of resources:</b>	
Deferred charges on debt refunding . . . . .	1,847,053
Total deferred outflows of resources . . . . .	1,847,053
 <b>Liabilities:</b>	
Accounts payable . . . . .	297,176
Accrued wages and benefits payable . . . . .	4,637,227
Pension obligation payable . . . . .	897,088
Intergovernmental payable . . . . .	289,445
Unearned revenue . . . . .	21,023
Accrued interest payable . . . . .	167,832
Long-term liabilities:	
Due within one year . . . . .	4,146,544
Due in more than one year . . . . .	57,916,235
Total liabilities . . . . .	68,372,570
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	41,866,954
PILOTs levied for the next fiscal year . . . . .	96,704
Total deferred inflows of resources . . . . .	41,963,658
 <b>Net position:</b>	
Net investment in capital assets . . . . .	31,051,574
Restricted for:	
Capital projects . . . . .	1,469,243
Locally funded programs . . . . .	34,599
Federally funded programs . . . . .	129,498
Student activities . . . . .	376,366
Unrestricted . . . . .	18,076,929
Total net position . . . . .	\$ 51,138,209

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, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 23,289,144	\$ 531,478	\$ 179,484	\$ (22,578,182)
Special . . . . .	4,965,689	261,994	2,200,445	(2,503,250)
Vocational . . . . .	962,408	38,567	116,054	(807,787)
Adult/continuing. . . . .	44,415	44,545	-	130
Other . . . . .	1,604,091	-	-	(1,604,091)
Support services:				
Pupil. . . . .	2,917,116	101,937	407,323	(2,407,856)
Instructional staff . . . . .	2,977,201	14,282	353,532	(2,609,387)
Board of education . . . . .	18,425	-	-	(18,425)
Administration. . . . .	2,934,366	485	581	(2,933,300)
Fiscal. . . . .	1,326,994	-	-	(1,326,994)
Business. . . . .	404,376	-	-	(404,376)
Operations and maintenance . . . . .	5,438,803	41,914	4,500	(5,392,389)
Pupil transportation. . . . .	3,094,483	4,837	132,295	(2,957,351)
Central . . . . .	382,317	-	-	(382,317)
Operation of non-instructional services:				
Other non-instructional services . . . . .	4,745	-	-	(4,745)
Food service operations . . . . .	2,127,700	1,209,529	589,576	(328,595)
Extracurricular activities. . . . .	2,094,528	709,495	92,411	(1,292,622)
Interest and fiscal charges . . . . .	2,846,193	-	-	(2,846,193)
<b>Total governmental activities . . . . .</b>	<b>\$ 57,432,994</b>	<b>\$ 2,959,063</b>	<b>\$ 4,076,201</b>	<b>(50,397,730)</b>

<b>General revenues:</b>	
Property taxes levied for:	
General purposes . . . . .	38,166,069
Debt service. . . . .	4,908,483
Capital projects. . . . .	1,091,609
Payments in lieu of taxes. . . . .	99,703
Grants and entitlements not restricted	
to specific programs . . . . .	12,353,383
Investment earnings . . . . .	107,379
Miscellaneous . . . . .	200,887
<b>Total general revenues . . . . .</b>	<b>56,927,513</b>
<b>Change in net position . . . . .</b>	<b>6,529,783</b>
<b>Net position at beginning of year . . . . .</b>	<b>44,608,426</b>
<b>Net position at end of year. . . . .</b>	<b>\$ 51,138,209</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments. . . . .	\$ 25,584,185	\$ 2,665,783	\$ 2,140,636	\$ 30,390,604
<b>Receivables:</b>				
Property taxes. . . . .	39,345,890	4,772,524	1,102,035	45,220,449
Payment in lieu of taxes . . . . .	83,630	10,697	2,377	96,704
Accounts . . . . .	29,887	-	2,575	32,462
Accrued interest . . . . .	9,621	-	-	9,621
Intergovernmental. . . . .	194,239	-	108,532	302,771
Prepayments. . . . .	90,516	-	-	90,516
Materials and supplies inventory. . . . .	157,662	-	13,750	171,412
Total assets . . . . .	<u>\$ 65,495,630</u>	<u>\$ 7,449,004</u>	<u>\$ 3,369,905</u>	<u>\$ 76,314,539</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 173,540	\$ -	\$ 123,636	\$ 297,176
Accrued wages and benefits payable . . . . .	4,483,616	-	153,611	4,637,227
Compensated absences payable . . . . .	226,412	-	6,261	232,673
Early retirement incentive payable . . . . .	175,000	-	-	175,000
Intergovernmental payable . . . . .	284,793	-	4,652	289,445
Unearned revenue. . . . .	7,670	-	13,353	21,023
Pension obligation payable . . . . .	844,370	-	52,718	897,088
Total liabilities. . . . .	<u>6,195,401</u>	<u>-</u>	<u>354,231</u>	<u>6,549,632</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	36,443,045	4,403,811	1,020,098	41,866,954
Delinquent property tax revenue not available. . . . .	1,646,540	205,372	45,639	1,897,551
Accrued interest not available. . . . .	7,155	-	-	7,155
Other nonexchange transactions not available. . . . .	89,099	-	1,899	90,998
Miscellaneous revenue not available. . . . .	105,140	-	-	105,140
PILOTs levied for the next fiscal year . . . . .	83,630	10,697	2,377	96,704
Total deferred inflows of resources . . . . .	<u>38,374,609</u>	<u>4,619,880</u>	<u>1,070,013</u>	<u>44,064,502</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory. . . . .	157,662	-	13,750	171,412
Prepays. . . . .	90,516	-	-	90,516
Unclaimed monies . . . . .	18,329	-	-	18,329
<b>Restricted:</b>				
Debt service . . . . .	-	2,829,124	-	2,829,124
Capital improvements . . . . .	-	-	1,423,604	1,423,604
Special education . . . . .	-	-	76,450	76,450
Targeted academic assistance . . . . .	-	-	51,149	51,149
Other purposes. . . . .	-	-	34,599	34,599
Extracurricular activities . . . . .	-	-	376,366	376,366
<b>Committed:</b>				
Facilities acquisition and construction . . . . .	100,000	-	-	100,000
Underground storage tanks . . . . .	11,000	-	-	11,000
<b>Assigned:</b>				
Student instruction . . . . .	236,517	-	-	236,517
Student and staff support. . . . .	479,138	-	-	479,138
Extracurricular activities . . . . .	1,479	-	-	1,479
Adult education . . . . .	56,791	-	-	56,791
Other purposes. . . . .	78,455	-	-	78,455
Unassigned (deficit). . . . .	19,695,733	-	(30,257)	19,665,476
Total fund balances . . . . .	<u>20,925,620</u>	<u>2,829,124</u>	<u>1,945,661</u>	<u>25,700,405</u>
Total liabilities, deferred inflows of resources and fund balances . . . . .	<u>\$ 65,495,630</u>	<u>\$ 7,449,004</u>	<u>\$ 3,369,905</u>	<u>\$ 76,314,539</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014

<b>Total governmental fund balances</b>		\$	25,700,405
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			83,312,845
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,897,551	
Accrued interest receivable		7,155	
Intergovernmental receivable		196,138	
Total		2,100,844	2,100,844
Unamortized premiums on bonds issued are not recognized in the funds.			(2,963,351)
Deferred charges on refundings are not recognized in the funds.			1,847,053
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(167,832)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(54,667,159)	
Compensated absences		(4,024,596)	
Total		(58,691,755)	(58,691,755)
<b>Net position of governmental activities</b>		\$	51,138,209

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 38,133,071	\$ 4,904,905	\$ 1,090,062	\$ 44,128,038
Payment in lieu of taxes . . . . .	86,630	10,696	2,377	99,703
Tuition . . . . .	564,950	-	-	564,950
Transportation fees . . . . .	4,837	-	-	4,837
Earnings on investments . . . . .	101,120	-	70	101,190
Charges for services . . . . .	-	-	1,224,635	1,224,635
Extracurricular . . . . .	277,684	-	547,914	825,598
Classroom materials and fees . . . . .	176,854	-	21,000	197,854
Rental income . . . . .	32,682	-	-	32,682
Contributions and donations . . . . .	82,381	-	66,597	148,978
Contract services . . . . .	108,507	-	-	108,507
Other local revenues . . . . .	289,165	-	5,600	294,765
Intergovernmental - intermediate . . . . .	28,646	-	-	28,646
Intergovernmental - state . . . . .	12,631,649	816,741	195,055	13,643,445
Intergovernmental - federal . . . . .	115,209	-	2,409,865	2,525,074
<b>Total revenues . . . . .</b>	<u>52,633,385</u>	<u>5,732,342</u>	<u>5,563,175</u>	<u>63,928,902</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	21,174,568	-	151,702	21,326,270
Special . . . . .	3,965,305	-	949,057	4,914,362
Vocational . . . . .	812,478	-	-	812,478
Adult/continuing . . . . .	44,415	-	-	44,415
Other . . . . .	1,596,148	-	-	1,596,148
Support services:				
Pupil . . . . .	2,602,548	-	258,832	2,861,380
Instructional staff . . . . .	2,474,067	-	350,509	2,824,576
Board of education . . . . .	17,840	-	-	17,840
Administration . . . . .	2,825,175	-	-	2,825,175
Fiscal . . . . .	1,181,925	89,601	20,686	1,292,212
Business . . . . .	401,621	-	-	401,621
Operations and maintenance . . . . .	4,770,348	-	14,604	4,784,952
Pupil transportation . . . . .	2,890,553	-	-	2,890,553
Central . . . . .	358,774	-	-	358,774
Operation of non-instructional services:				
Other non-instructional services . . . . .	4,745	-	-	4,745
Food service operations . . . . .	-	-	1,913,416	1,913,416
Extracurricular activities . . . . .	1,248,703	-	595,769	1,844,472
Facilities acquisition and construction . . . . .	1,000	-	716,746	717,746
Debt service:				
Principal retirement . . . . .	-	3,540,000	-	3,540,000
Interest and fiscal charges . . . . .	-	2,148,652	-	2,148,652
Bond issuance costs . . . . .	-	54,896	-	54,896
<b>Total expenditures . . . . .</b>	<u>46,370,213</u>	<u>5,833,149</u>	<u>4,971,321</u>	<u>57,174,683</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	6,263,172	(100,807)	591,854	6,754,219
<b>Other financing sources (uses):</b>				
Premium on bonds sold . . . . .	-	1,055,620	-	1,055,620
Sale of bonds . . . . .	-	10,705,000	-	10,705,000
Sale of assets . . . . .	11,106	-	-	11,106
Payment to refunded bond escrow agent . . . . .	-	(11,705,724)	-	(11,705,724)
<b>Total other financing sources (uses) . . . . .</b>	<u>11,106</u>	<u>54,896</u>	<u>-</u>	<u>66,002</u>
Net change in fund balances . . . . .	6,274,278	(45,911)	591,854	6,820,221
<b>Fund balances at beginning of year . . . . .</b>	14,630,473	2,875,035	1,356,011	18,861,519
<b>Increase (decrease) in reserve for inventory . . . . .</b>	20,869	-	(2,204)	18,665
<b>Fund balances at end of year . . . . .</b>	<u>\$ 20,925,620</u>	<u>\$ 2,829,124</u>	<u>\$ 1,945,661</u>	<u>\$ 25,700,405</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, 2014

<b>Net change in fund balances - total governmental funds</b>	\$	6,820,221
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 358,354	
Current year depreciation	<u>(3,415,447)</u>	
Total		(3,057,093)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		18,665
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	38,123	
Earnings on investments	6,259	
Intergovernmental	<u>(10,336)</u>	
Total		34,046
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		3,540,000
Issuance of bonds and premiums are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
Bonds	(10,705,000)	
Premiums	<u>(1,055,620)</u>	
Total		(11,760,620)
Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities on the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year:		
Bonds refunded	10,705,000	
Removal of premiums associated with refunded bonds	573,675	
Removal of deferred charges associated with refunded bonds	(500,672)	
Deferred charges on refundings	<u>927,721</u>	
Total		11,705,724
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	15,285	
Accreted interest on capital appreciation bonds	(813,255)	
Amortization of bond premiums	466,345	
Amortization of deferred charges on refunding	<u>(311,020)</u>	
Total		(642,645)
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.		
		<u>(128,515)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>6,529,783</u></b>

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, 2014

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 36,599,187	\$ 36,599,187	\$ 37,275,865	\$ 676,678
Payment in lieu of taxes. . . . .	86,630	86,630	86,630	-
Tuition. . . . .	567,500	567,500	527,495	(40,005)
Transportation fees. . . . .	9,000	9,000	4,837	(4,163)
Earnings on investments . . . . .	80,000	80,000	70,104	(9,896)
Extracurricular. . . . .	138,024	138,024	135,274	(2,750)
Classroom materials and fees . . . . .	137,900	137,900	100,197	(37,703)
Rental income . . . . .	24,000	24,000	32,832	8,832
Contributions and donations . . . . .	2,000	2,000	152	(1,848)
Contract services. . . . .	60,000	60,000	59,288	(712)
Other local revenues . . . . .	95,370	95,370	152,684	57,314
Intergovernmental - intermediate . . . . .	32,000	32,000	28,646	(3,354)
Intergovernmental - state . . . . .	12,034,265	12,034,265	12,631,649	597,384
Intergovernmental - federal . . . . .	92,000	92,000	115,209	23,209
Total revenues . . . . .	<u>49,957,876</u>	<u>49,957,876</u>	<u>51,220,862</u>	<u>1,262,986</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	22,371,284	22,163,689	22,100,456	63,233
Special. . . . .	3,960,801	4,365,931	4,311,114	54,817
Vocational. . . . .	673,128	788,062	769,195	18,867
Other. . . . .	1,582,100	1,646,873	1,636,825	10,048
Support services:				
Pupil. . . . .	2,599,158	2,582,463	2,528,734	53,729
Instructional staff . . . . .	2,617,651	2,651,784	2,571,061	80,723
Board of education . . . . .	20,191	21,003	20,734	269
Administration. . . . .	2,900,092	2,967,096	2,927,387	39,709
Fiscal . . . . .	1,173,368	1,206,946	1,196,786	10,160
Business . . . . .	409,371	440,960	433,778	7,182
Operations and maintenance. . . . .	4,767,870	4,999,288	4,897,856	101,432
Pupil transportation . . . . .	2,975,628	3,085,329	3,025,241	60,088
Central. . . . .	349,073	347,892	316,015	31,877
Other operation of non-instructional services . . . . .	6,157	6,100	4,745	1,355
Extracurricular activities. . . . .	1,305,805	1,340,150	1,332,628	7,522
Facilities acquisition and construction . . . . .	1,038,921	101,250	101,000	250
Total expenditures . . . . .	<u>48,750,598</u>	<u>48,714,816</u>	<u>48,173,555</u>	<u>541,261</u>
Excess of revenues over expenditures. . . . .	<u>1,207,278</u>	<u>1,243,060</u>	<u>3,047,307</u>	<u>1,804,247</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	249,000	249,000	343,924	94,924
Refund of prior year's receipts. . . . .	(1,766)	(1,766)	(463)	1,303
Transfers (out). . . . .	(17,250)	(182)	-	182
Advances in. . . . .	58,426	58,426	58,426	-
Advances (out) . . . . .	(1,688)	(16,688)	(15,000)	1,688
Other uses. . . . .	(59,787)	(97,637)	(69,767)	27,870
Sale of capital assets . . . . .	13,000	13,000	11,106	(1,894)
Total other financing sources (uses) . . . . .	<u>239,935</u>	<u>204,153</u>	<u>328,226</u>	<u>124,073</u>
Net change in fund balance . . . . .	1,447,213	1,447,213	3,375,533	1,928,320
<b>Fund balance at beginning of year . . . . .</b>	<b>20,438,301</b>	<b>20,438,301</b>	<b>20,438,301</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>565,321</b>	<b>565,321</b>	<b>565,321</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 22,450,835</u></b>	<b><u>\$ 22,450,835</u></b>	<b><u>\$ 24,379,155</u></b>	<b><u>\$ 1,928,320</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 38,017	\$ 172,590
Receivables:		
Accounts . . . . .	-	2,005
Total assets. . . . .	<u>38,017</u>	<u>\$ 174,595</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 647
Due to students. . . . .	-	173,948
Total liabilities . . . . .	<u>-</u>	<u>\$ 174,595</u>
<b>Net position:</b>		
Held in trust for scholarships . . . . .	<u>38,017</u>	
Total net position. . . . .	<u>\$ 38,017</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 23
Gifts and contributions . . . . .	20,235
Total additions. . . . .	20,258
<b>Deductions:</b>	
Scholarships awarded . . . . .	18,250
Change in net position . . . . .	2,008
<b>Net position at beginning of year. . . . .</b>	<b>36,009</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 38,017</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Jackson Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 51<sup>st</sup> largest by total enrollment among the 918 public and community school districts in the State and 3<sup>rd</sup> largest in Stark County. The District employs 273 non-certified and 351 certified employees to provide services to 6,005 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

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

*PUBLIC ENTITY RISK POOLS*

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

The Council is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program, which is a shared risk pool comprised of an 86 member council of which 66 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*GOVERNMENTAL FUNDS*

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

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

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

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

*FIDUCIARY FUNDS*

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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

**D. Basis of Accounting**

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the timing requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

**E. Budgets**

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

Tax Budget:

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposits, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2014.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$101,120, which includes \$19,097 assigned from other District funds.

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 \$10,000 for assets purchased from all funds excluding federal funds. The District maintains a capitalization threshold of \$5,000 for assets purchased from federal funds. 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:

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

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

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

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 8.A.

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds" and "interfund loans receivable/payable". These amounts are eliminated in government activities column on the statement of net position. There were no interfund balances at June 30, 2014.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**K. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**M. Fund Balance**

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

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

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

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

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

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

**N. Net Position**

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

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



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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2014, 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 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 16,507

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,579 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2014, the carrying amount of all District deposits was \$24,725,349. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$9,591,998 of the District's bank balance of \$24,970,828 was exposed to custodial risk as discussed below, while \$15,378,830 was covered by the FDIC.

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**C Investments**

As of June 30, 2014 the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>Greater Than 24 months</u>
FNMA	\$ 991,550	\$ -	\$ 991,550
FHLB	2,983,640	-	2,983,640
STAR Ohio	78,093	78,093	-
Repurchase agreement	1,820,000	1,820,000	-
Total	<u>\$ 5,873,283</u>	<u>\$ 1,898,093</u>	<u>\$ 3,975,190</u>

The weighted average of maturity of investments is 2.50 years.

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FNMA	\$ 991,550	16.88
FHLB	2,983,640	50.80
STAR Ohio	78,093	1.33
Repurchase agreement	<u>1,820,000</u>	<u>30.99</u>
Total	<u>\$ 5,873,283</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 24,725,349
Investments	5,873,283
Cash on hand	<u>2,579</u>
Total	<u>\$ 30,601,211</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 30,390,604
Private-purpose trust funds	38,017
Agency funds	<u>172,590</u>
Total	<u>\$ 30,601,211</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 5 - PROPERTY TAXES - (Continued)**

The District receives property taxes from Stark and Summit Counties. The County Auditor/Fiscal Officer periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$1,256,305 in the general fund, \$163,341 in the debt service fund and \$36,298 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$399,099 in the general fund, \$52,692 in the debt service fund and \$11,709 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,112,951,330	96.70	\$ 1,148,986,700	96.60
Public utility personal	<u>38,013,580</u>	<u>3.30</u>	<u>40,442,760</u>	<u>3.40</u>
<b>Total</b>	<b><u>\$ 1,150,964,910</u></b>	<b><u>100.00</u></b>	<b><u>\$ 1,189,429,460</u></b>	<b><u>100.00</u></b>

Tax rate per \$1,000 of  
assessed valuation for:

Operations	\$47.90	\$47.70
Permanent improvement	1.00	1.00
Bond	4.50	4.50

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2014 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 45,220,449
Payment in lieu of taxes	96,704
Accounts	32,462
Accrued interest	9,621
Intergovernmental	<u>302,771</u>
Total	<u>\$ 45,662,007</u>

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

**NOTE 7 - CAPITAL ASSETS**

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,457,911	\$ -	\$ -	\$ 2,457,911
Construction in progress	<u>2,022,342</u>	<u>204,097</u>	<u>(385,850)</u>	<u>1,840,589</u>
Total capital assets, not being depreciated	<u>4,480,253</u>	<u>204,097</u>	<u>(385,850)</u>	<u>4,298,500</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	7,998,398	26,496	-	8,024,894
Building and improvements	108,976,987	513,611	-	109,490,598
Furniture and equipment	3,820,766	-	(173,110)	3,647,656
Vehicles	<u>5,265,397</u>	<u>-</u>	<u>(145,404)</u>	<u>5,119,993</u>
Total capital assets, being depreciated	<u>126,061,548</u>	<u>540,107</u>	<u>(318,514)</u>	<u>126,283,141</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,318,520)	(401,944)	-	(4,720,464)
Building and improvements	(32,655,549)	(2,673,177)	-	(35,328,726)
Furniture and equipment	(2,954,053)	(163,607)	173,110	(2,944,550)
Vehicles	<u>(4,243,741)</u>	<u>(176,719)</u>	<u>145,404</u>	<u>(4,275,056)</u>
Total accumulated depreciation	<u>(44,171,863)</u>	<u>(3,415,447)</u>	<u>318,514</u>	<u>(47,268,796)</u>
Governmental activities capital assets, net	<u>\$ 86,369,938</u>	<u>\$ (2,671,243)</u>	<u>\$ (385,850)</u>	<u>\$ 83,312,845</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 7 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,947,991
Special	89,424
Vocational	183,601
<u>Support services:</u>	
Pupil	53,898
Instructional staff	119,912
Administration	62,578
Fiscal	23,646
Operations and maintenance	286,246
Pupil transportation	182,559
Central	20,721
Extracurricular activities	230,762
Food service operations	<u>214,109</u>
Total depreciation expense	<u>\$ 3,415,447</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2014, the following activity occurred in governmental activities long-term obligations:

	Balance			Balance	Amount
	June 30, 2013	Increase	Decrease	June 30, 2014	Due in
					One Year
General obligation bonds	\$ 57,393,904	\$ 11,518,255	\$ (14,245,000)	\$ 54,667,159	\$ 3,563,113
Retirement incentive	100,000	175,000	(100,000)	175,000	175,000
Compensated absences	<u>4,314,714</u>	<u>605,997</u>	<u>(663,442)</u>	<u>4,257,269</u>	<u>408,431</u>
Total	<u>\$ 61,808,618</u>	<u>\$ 12,299,252</u>	<u>\$ (15,008,442)</u>	59,099,428	<u>\$ 4,146,544</u>
Add: unamortized premium				<u>2,963,351</u>	
Total on statement of net position				<u>\$ 62,062,779</u>	

General Obligation Bonds: See Note 8.B-8.F for more details.

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

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

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



**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2013. There are no further debt obligations on this bond issuance.

The following is a schedule of activity for fiscal year 2014 on the Series 2004 general obligations:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
Series 2004	\$ 1,205,000	\$ -	\$(1,205,000)	\$ -

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

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

Interest payments on the current interest bonds were due on June 1 and December 1 of each year. The final maturity date in the issue was December 1, 2013. There are no further debt obligations on this bond issuance.

The following is a schedule of activity for fiscal year 2014 on the Series 2005A refunding bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
Series 2005 A refunding bonds	\$ 10,000	\$ -	\$ (10,000)	\$ -

- D. Series 2005 B Refunding Bonds: On April 21, 2005, the District issued general obligation bonds (Series 2005B Refunding Bonds) to advance refund a portion of the Series 2000 current interest general obligation bonds (principal \$19,045,000). The issuance proceeds of \$19,044,916 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. On July 11, 2013, the District issued Series 2013 refunding bonds to partially refund \$10,705,000 of the Series 2005B refunding bonds. See Note 8.F.

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. Part of the capital appreciation bonds matured December 1, 2011 (stated interest rate 10.994%) and matured December 1, 2012 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. There was no capital appreciation bonds related to this issue outstanding at June 30, 2014.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the remaining bonds is December 1, 2014.

The following is a schedule of activity for fiscal year 2014 on the Series 2005B refunding bonds:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Current interest bonds -				
Series 2005 B refunding bonds	\$ 14,590,000	\$ -	\$ (12,585,000)	\$ 2,005,000

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

	Current Interest Bonds		
Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,005,000	\$ 50,125	\$ 2,055,125

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

The refunding issue is comprised of both current interest bonds, par value \$40,295,000, and capital appreciation bonds, par value \$1,199,973. The interest rates on the current interest bonds range from 3.58% to 4.38%. The capital appreciation bonds mature on December 1, 2014 (stated interest rate 19.043%), December 1, 2015 (stated interest rate 19.048%), December 1, 2016 (stated interest rate 19.052%) and December 1, 2017 (stated interest rate 19.055%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$6,740,000. Total accreted interest of \$3,522,186 has been included on the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a schedule of activity for fiscal year 2014 on the Series 2007 refunding bonds:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2014</u>
Current interest bonds -				
Series 2007 refunding bonds	\$ 37,680,000	\$ -	\$ (415,000)	\$ 37,265,000
Capital appreciation bonds -				
Series 2007 refunding bonds	1,199,973	-	-	1,199,973
Capital appreciation bonds -				
Accreted interest	<u>2,708,931</u>	<u>813,255</u>	<u>-</u>	<u>3,522,186</u>
<b>Total G.O. bonds</b>	<u><b>\$ 41,588,904</b></u>	<u><b>\$ 813,255</b></u>	<u><b>\$ (415,000)</b></u>	<u><b>\$ 41,987,159</b></u>

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

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

Fiscal Year Ending <u>June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 1,571,692	\$ 1,571,692	\$ 389,757	\$ 1,295,243	\$ 1,685,000
2016	-	1,571,692	1,571,692	322,509	1,362,491	1,685,000
2017	-	1,571,692	1,571,692	266,871	1,418,129	1,685,000
2018	-	1,571,692	1,571,692	220,836	1,464,164	1,685,000
2019	1,685,000	1,537,992	3,222,992	-	-	-
2020 - 2024	9,495,000	6,589,128	16,084,128	-	-	-
2025 - 2029	11,690,000	4,347,199	16,037,199	-	-	-
2030 - 2034	<u>14,395,000</u>	<u>1,716,046</u>	<u>16,111,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><b>\$ 37,265,000</b></u>	<u><b>\$ 20,477,133</b></u>	<u><b>\$ 57,742,133</b></u>	<u><b>\$ 1,199,973</b></u>	<u><b>\$ 5,540,027</b></u>	<u><b>\$ 6,740,000</b></u>

- F. Series 2013 Refunding Bonds:** On July 11, 2013, the District issued general obligation bonds (Series 2013 Refunding Bonds) to advance refund a portion of the Series 2005 B current interest general obligation bonds (principal \$10,705,000). The issuance proceeds of \$10,705,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2014 was \$10,705,000.

The refunding issue is comprised of current interest bonds, par value \$10,705,000, that carry an interest rate of 4.81%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2019.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

The reacquisition price exceeded the net carrying amount of the old debt by \$927,721. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2019. This advance refunding was undertaken to reduce the combined total debt service payments over the next 6 years by \$451,970 and resulted in an economic gain of \$427,203.

The following is a schedule of activity for fiscal year 2014 on the Series 2005B refunding bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
Series 2013 refunding bonds	\$ <u>          -</u>	\$ <u>10,705,000</u>	\$ <u>(30,000)</u>	\$ <u>10,675,000</u>

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

Fiscal Year Ending <u>June 30,</u>	Current Interest Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 25,000	\$ 445,692	\$ 470,692
2016	2,165,000	399,922	2,564,922
2017	2,255,000	307,543	2,562,543
2018	2,350,000	211,299	2,561,299
2019	2,445,000	111,084	2,556,084
2020	1,435,000	29,991	1,464,991
Total	<u>\$ 10,675,000</u>	<u>\$ 1,505,531</u>	<u>\$ 12,180,531</u>

**G. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$58,732,802 (including available funds of \$2,829,124) and an unvoted debt margin of \$1,189,429.

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators are employed to work no more than 226 days per year. Teachers, administrators and non-certified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 350 days for both non-certified and certified employees. Upon retirement, non-certified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days. Upon retirement, non-certified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 72 days for certified employees and 72 days for classified employees. In addition, certified and classified employees shall be paid \$10 per day for every day of sick leave accumulated from 200 to 300 days and \$20 per day from 301 days up to a maximum of 350 days.

**B. Retirement Incentive**

A one-time retirement bonus in the amount of \$25,000 will be available to certified employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. If the member fails to take the incentive when first eligible, he/she forfeits the incentive. During fiscal year 2014, 7 employees took advantage of this incentive.

**C. Life Insurance**

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

**NOTE 10 - 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, 2013 through September 1, 2014. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General Liability:	Ohio Casualty		
Each Occurrence		\$ 1,000,000	\$ 0
General Aggregate		2,000,000	
Products/Complete Operations Aggregate		2,000,000	0
Building and Contents Replacement Cost	Ohio Casualty	182,978,922	5,000

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - RISK MANAGEMENT - (Continued)**

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

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**B. Shared Risk Pool**

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of a 85 member council of which 66 are member school Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,437.74 for family coverage and \$591.85 for single coverage per employee per month. The District pays dental premiums of \$185.39 for family coverage and \$75.15 for single coverage per employee per month.

**C. Workers' Compensation**

For fiscal year 2014, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$988,635, \$951,957 and \$1,001,411, respectively; 82.28 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 11 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$2,846,540, \$2,738,012 and \$2,977,463, respectively; 84.89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$156,178 made by the District and \$122,712 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

**JACKSON LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$131,497, \$128,208 and \$154,384, respectively; 82.28 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$57,356, \$53,775 and \$59,138, respectively; 82.28 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

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

**Funding Policy** -Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$218,965, \$210,616 and \$229,036, respectively; 84.89 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ 3,375,533
Net adjustment for revenue accruals	893,236
Net adjustment for expenditure accruals	1,571,148
Net adjustment for other sources/uses	(332,120)
Funds budgeted elsewhere	(30,287)
Adjustment for encumbrances	796,768
GAAP basis	<u>\$ 6,274,278</u>

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings at June 30, 2014.

**NOTE 15 - SET-ASIDES**

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

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 15 - SET-ASIDES - (Continued)**

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	984,578
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,241,180)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (256,602)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u>\$ -</u>

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2014, the District had the following contractual commitments outstanding:

<u>Vendor</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2014</u>
Meyers Equipment	\$ 190,780	\$ -	\$ 190,780
Johnson Controls	135,240	(35,240)	100,000
CDI Computer Dealers	106,398	-	106,398
Tremco Inc	305,901	-	305,901
Firefly Computers	90,250	-	90,250
Total	<u>\$ 828,569</u>	<u>\$ (35,240)</u>	<u>\$ 793,329</u>

**JACKSON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 568,582
Debt service fund	1,451
Other governmental	<u>661,009</u>
Total	<u>\$ 1,231,042</u>

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**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2014**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Program / Cluster Title						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	049858-3L70-2014	10.553	\$30,966		\$30,966	
National School Lunch Program	049858-3L60-2014	10.555	457,896	\$99,459	457,896	\$99,459
Total Nutrition Cluster			<u>488,862</u>	<u>99,459</u>	<u>488,862</u>	<u>99,459</u>
<b>Total U.S. Department of Agriculture</b>			<u>488,862</u>	<u>99,459</u>	<u>488,862</u>	<u>99,459</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	049858-3M00-2013	84.010	36,147		71,362	
Title I Grants to Local Educational Agencies	049858-3M00-2014	84.010	395,089		367,529	
Total Title I Grants to Local Educational Agencies			<u>431,236</u>		<u>438,891</u>	
Special Education Cluster:						
Special Education Grants to States	049858-3M20-2013	84.027	41,619		87,834	
Special Education Grants to States	049858-3M20-2014	84.027	824,389		775,736	
Total Special Education Cluster			<u>866,008</u>		<u>863,570</u>	
English Language Acquisition Grants	049858-3Y70-2014	84.365	21,697		21,697	
ARRA-Race to the Top	049858-3FD0-2013	84.395A	735		1,685	
ARRA-Race to the Top	049858-3FD0-2014	84.395A	49,946		49,946	
ARRA-Innovative Race to the Top	049858-3FD0-2013	84.395A	25,924		27,424	
ARRA-Innovative Race to the Top	049858-3FD0-2014	84.395A	222,088		222,061	
ARRA-Ohio Resident Educator Program	049858-3FD0-2014	84.395A	7,000		7,000	
ARRA-Peer Assistance and Review	049858-3FD0-2012	84.395A	1,502		1,502	
ARRA-Peer Assistance and Review	049858-3FD0-2013	84.395A	40,652		40,652	
ARRA-Peer Assistance and Review	049858-3FD0-2014	84.395A	50,000		50,000	
Total ARRA - Race to the Top			<u>397,847</u>		<u>400,270</u>	
Improving Teacher Quality State Grants	049858-3Y60-2013	84.367	93,870		93,870	
Total Improving Teacher Quality State Grants			<u>93,870</u>		<u>93,870</u>	
<i>Total Passed Through Ohio Department of Education</i>			<u>1,810,658</u>		<u>1,818,298</u>	
<i>Passed Through Plain Local School District</i>						
Vocational Education Basic Grants to States	N/A	84.048	36,800		36,800	
<b>Total U.S. Department of Education</b>			<u>1,847,458</u>		<u>1,855,098</u>	
<b>Total Federal Financial Assistance</b>			<u>\$2,336,320</u>	<u>\$99,459</u>	<u>\$2,343,960</u>	<u>\$99,459</u>

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2014.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 19, 2014



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the Jackson Local School District's, Stark County, Ohio (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the Jackson Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

***Report on Internal Control Over Compliance***

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

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

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

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



**Dave Yost**  
Auditor of State  
Columbus, Ohio

December 19, 2014

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Grants to States CFDA #84.027 Title 1 Grants to Local Educational Agencies CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

None

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# Dave Yost • Auditor of State

**JACKSON LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 31, 2014**