



Dave Yost • Auditor of State



**JACKSON MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson Milton Local School District  
Mahoning County  
13910 Mahoning Avenue  
North Jackson, Ohio 44451

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 Milton Local School District, Mahoning County, Ohio (the District), as of and for the year ended June 30, 2016, 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 Milton Local School District, Mahoning County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof 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*, and schedules of net pension liabilities and pension contributions 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, 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.



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

December 15, 2016

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

The discussion and analysis of the Jackson-Milton 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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$334,415, or 5.01%, from 2015.
- General revenues accounted for \$9,463,110 in revenue or 82.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,994,876 or 17.41% of total revenues of \$11,457,986.
- The District had \$11,123,571 in expenses related to governmental activities; \$1,994,876 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,463,110 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and permanent improvement fund. The general fund had \$9,510,202 in revenues and other financing sources and \$9,025,718 in expenditures and other financing uses. During fiscal year 2016, the general fund's fund balance increased \$484,484 from a balance of \$1,886,313 to a balance of \$2,370,797.
- The District's permanent improvement fund had \$1,184,505 in revenues and \$1,250,617 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance decreased \$66,112 from a balance of \$76,691 to a balance of \$10,579.

**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. In the case of the District, the general fund and permanent improvement fund are by far the most significant funds, and the only governmental funds reported as major funds.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**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 2016?" 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.

These two statements report the District's *net position* and changes in that 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 plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 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 permanent improvement 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* than 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 17-21 of this report.

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

The District is the trustee, or fiduciary, for 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 or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-58 of this report.

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 60 through 66 of this report.

**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, 2016 and June 30, 2015.

	Net Position - Governmental Activities	
	2016	2015
<b><u>Assets</u></b>		
Current and other assets	\$ 10,041,035	\$ 9,597,793
Capital assets, net	<u>16,083,177</u>	<u>16,577,814</u>
Total assets	<u>26,124,212</u>	<u>26,175,607</u>
<b><u>Deferred outflows of resources</u></b>		
Pension	<u>1,136,287</u>	<u>720,121</u>
Total deferred outflows	<u>1,136,287</u>	<u>720,121</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,228,648	1,273,834
Long-term liabilities:		
Due within one year	542,783	529,132
Due in more than one year:		
Net pension liability	11,119,543	9,984,364
Other amounts	<u>13,647,459</u>	<u>14,001,468</u>
Total liabilities	<u>26,538,433</u>	<u>25,788,798</u>
<b><u>Deferred inflows of resources</u></b>		
Property taxes	6,087,840	5,975,123
Pensions	<u>970,164</u>	<u>1,802,160</u>
Total deferred inflows	<u>7,058,004</u>	<u>7,777,283</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	2,315,054	2,492,165
Restricted	93,741	127,072
Unrestricted (deficit)	<u>(8,744,733)</u>	<u>(9,289,590)</u>
Total net position (deficit)	<u>\$ (6,335,938)</u>	<u>\$ (6,670,353)</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

During a previous fiscal year, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," and GASB Statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

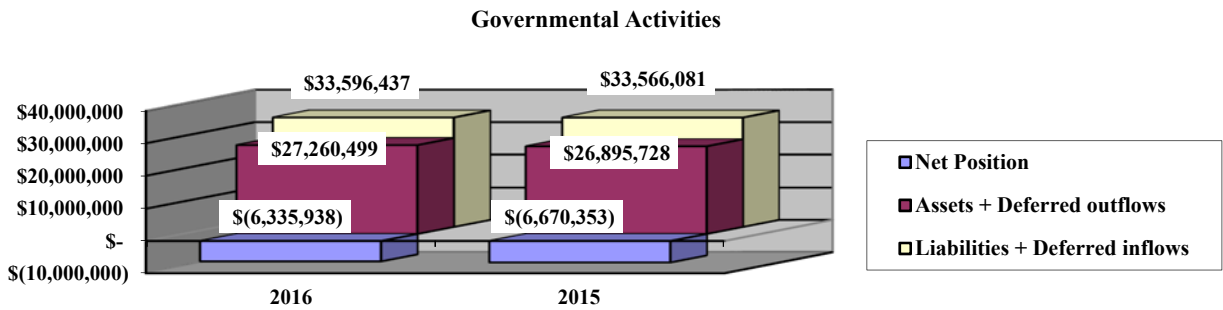
**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

At year-end, capital assets represented 61.56% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2016, was \$2,315,054. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$93,741, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$8,744,733.

The graph below shows the District's assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and net position at June 30, 2016 and June 30, 2015.



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**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

The table below shows the change in net position for fiscal years 2016 and 2015.

	<u>Change in Net Position - Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,124,962	\$ 1,090,323
Operating grants and contributions	869,914	885,093
General revenues:		
Property taxes	6,052,334	5,895,596
Grants and entitlements	3,391,129	3,325,588
Investment earnings	275	270
Miscellaneous	19,372	43,013
Total revenues	<u>11,457,986</u>	<u>11,239,883</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,627,676	4,621,347
Special	1,725,028	1,672,682
Vocational	51,125	88,434
Support services:		
Pupil	280,255	279,968
Instructional staff	171,571	125,277
Board of education	78,331	61,024
Administration	656,958	663,814
Fiscal	454,709	410,062
Operations and maintenance	894,810	884,831
Pupil transportation	637,443	660,902
Central	49,190	41,434
Operation of non-instructional services:		
Food service operations	462,054	429,298
Other non-instructional services	-	272
Extracurricular activities	418,556	431,390
Interest and fiscal charges	615,865	628,176
Total expenses	<u>11,123,571</u>	<u>10,998,911</u>
Change in net position	334,415	240,972
Net position (deficit) at beginning of year	<u>(6,670,353)</u>	<u>(6,911,325)</u>
Net position (deficit) at end of year	<u>\$ (6,335,938)</u>	<u>\$ (6,670,353)</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Governmental Activities**

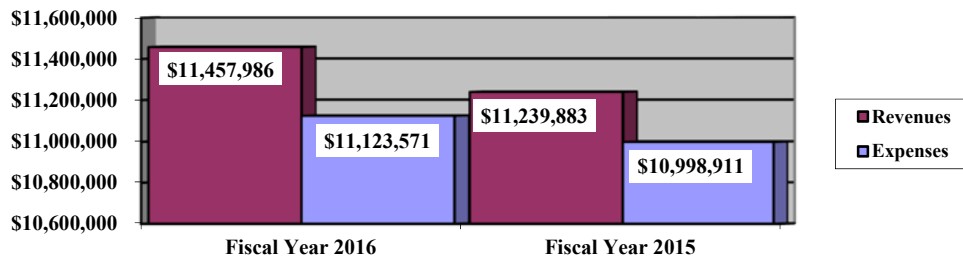
Net position of the District's governmental activities increased \$334,415. Total governmental expenses of 11,123,571 were offset by program revenues of \$1,994,876 and general revenues of \$9,463,110. Program revenues supported 17.93% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.42% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,403,829 or 57.57% of total governmental expenses for fiscal year 2016.

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2016 and 2015.

**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.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

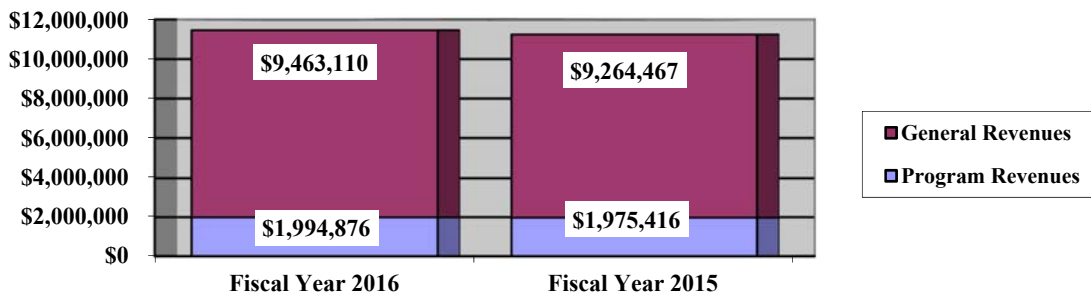
**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 4,627,676	\$ 3,810,677	\$ 4,621,347	\$ 3,849,769
Special	1,725,028	1,076,198	1,672,682	981,412
Vocational	51,125	47,149	88,434	85,850
Support services:				
Pupil	280,255	280,255	279,968	279,968
Instructional staff	171,571	171,571	125,277	116,494
Board of education	78,331	69,162	61,024	61,024
Administration	656,958	656,958	663,814	663,814
Fiscal	454,709	454,631	410,062	410,062
Operations and maintenance	894,810	893,355	884,831	874,155
Pupil transportation	637,443	607,631	660,902	632,753
Central	49,190	49,190	41,434	41,434
Operation of non-instructional services:				
Food service operations	462,054	77,508	429,298	75,949
Other non-instructional services	-	-	272	4
Extracurricular activities	418,556	318,545	431,390	322,631
Interest and fiscal charges	615,865	615,865	628,176	628,176
<b>Total expenses</b>	<b>\$ 11,123,571</b>	<b>\$ 9,128,695</b>	<b>\$ 10,998,911</b>	<b>\$ 9,023,495</b>

The dependence upon tax and other general revenues for governmental activities is apparent, as 77.05% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.07%. The District's taxpayers, as a whole, and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$2,464,927, which is higher than last year's total of \$2,096,774. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	<u>Fund Balance</u> <u>June 30, 2016</u>	<u>Fund Balance</u> <u>June 30, 2015</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
General	\$ 2,370,797	\$ 1,886,313	\$ 484,484	25.68 %
Permanent Improvement	10,579	76,691	(66,112)	(86.21) %
Nonmajor Governmental	<u>83,551</u>	<u>133,770</u>	<u>(50,219)</u>	(37.54) %
Total	<u>\$ 2,464,927</u>	<u>\$ 2,096,774</u>	<u>\$ 368,153</u>	17.56 %

**General Fund**

The District's general fund balance increased \$484,484. The increase in fund balance can be attributed to an increase in total revenues compared to fiscal year 2016. This overall increase can be primarily attributed to an increase in tuition and intergovernmental revenues from the prior year.

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

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 5,038,408	\$ 5,081,347	\$ (42,939)	(0.85) %
Tuition	872,363	836,004	36,359	4.35 %
Earnings on investments	275	270	5	1.85 %
Intergovernmental	3,452,311	3,386,745	65,566	1.94 %
Other revenues	<u>49,946</u>	<u>81,171</u>	<u>(31,225)</u>	(38.47) %
Total	<u>\$ 9,413,303</u>	<u>\$ 9,385,537</u>	<u>\$ 27,766</u>	0.30 %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,536,274	\$ 5,476,832	\$ 59,442	1.09 %
Support services	3,038,437	2,965,519	72,918	2.46 %
Extracurricular activities	314,738	312,330	2,408	0.77 %
Capital outlay	96,899	-	96,899	100.00 %
Debt service	<u>18,280</u>	<u>-</u>	<u>18,280</u>	100.00 %
Total	<u>\$ 9,004,628</u>	<u>\$ 8,754,681</u>	<u>\$ 249,947</u>	2.86 %

**Permanent Improvement Fund**

The District's permanent improvement fund had \$1,184,505 in revenues and \$1,250,617 in expenditures. During fiscal year 2016, the permanent improvement fund's fund balance decreased \$66,112 from a balance of \$76,691 to a balance of \$10,579. This decrease is a result of expenditures for maintenance and capital improvements exceeding revenues during the fiscal year.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2016, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,584,501 and final budgeted revenues and other financing sources were \$7,877,919. Actual revenues and other financing sources for fiscal year 2016 were \$7,877,949. This is an increase of \$30 over the final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,907,075 were decreased to \$7,468,943 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled \$7,467,943, which was \$1,000 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$16,083,177 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2016 balances compared to June 30, 2015:

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

	Governmental Activities	
	2016	2015
Land	\$ 346,831	\$ 346,831
Land improvements	1,195,579	1,224,547
Building and improvements	13,819,007	14,277,731
Furniture and equipment	496,877	469,160
Vehicles	224,883	259,545
Total	\$ 16,083,177	\$ 16,577,814

The overall decrease in capital assets of \$494,637 is due to depreciation expense of \$710,279 exceeding capital outlays of \$215,642 in the fiscal year.

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

***Debt Administration***

At June 30, 2016, the District had \$13,450,000 in certificates of participation, \$374,437 in lease purchase agreements and \$82,353 in capital leases. Of this total, \$452,562 is due within one year and \$13,454,228 is due in greater than one year.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

The following table summarizes the notes and lease purchase agreement outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Certificates of participation	\$ 13,450,000	\$ 13,790,000
Capital Leases	82,353	-
Lease purchase agreement	<u>374,437</u>	<u>441,192</u>
Total	<u>\$ 13,906,790</u>	<u>\$ 14,231,192</u>

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

**Current Financial Related Activities**

The District faces many challenges in the future. The District relies heavily upon State support for revenue. With the implementation of HB64 and the accelerated phase-out of personal property reimbursements, the District will be forced to continue asking taxpayers to renew tax levies in addition to asking for new tax levies. The District is also on a guarantee funding formula based on the prior fiscal year total State support. The five-year forecast is currently projecting deficit spending in fiscal year 2017 and on. With new revenue and reductions through attrition, the District is hoping to correct the deficit spending situation. A five year emergency renewal levy for 1.8 mills was approved on the November 2014 ballot generating \$383,088 per year. A five year renewal levy of 4.9 mills generating \$988,485 was approved in May 2013.

The District completed its building project in September 2009. A new facility for grades 7-12 was approved by the Board of Education and will be paid for by re-allocating 3.85 inside mills for permanent improvement. These mills combined with existing permanent improvement dollars allowed the district to borrow the funds needed for the project. Approximately \$16 million was spent on this building and will be paid for over the next 30 years. The building was designed to meet Ohio School Facilities Commission (OSFC) guidelines for reimbursement in future years.

The last challenge facing the District is the future of State funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The District has been adversely affected by open enrollment and community school education options. In response, the Board of Education declared the District open to every district in the State. This move has softened the financial blow and is beginning to offset some of the financial loss.

The District's system of budgeting and internal controls is well regarded. All of the District's financial abilities will be needed to meet the financial challenges of the future.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED**

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens taxpayers, and investors and creditors with a general overview of the District's finances and to show the Districts accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. John C. Zinger, Treasurer, Jackson-Milton Local School District, 13910 Mahoning Avenue, North Jackson, Ohio 44451.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 3,372,924
Receivables:	
Property taxes . . . . .	6,443,491
Accounts. . . . .	17,417
Intergovernmental . . . . .	170,881
Prepayments . . . . .	24,152
Inventory held for resale. . . . .	12,170
Capital assets:	
Nondepreciable capital assets . . . . .	346,831
Depreciable capital assets, net. . . . .	15,736,346
Capital assets, net. . . . .	16,083,177
Total assets. . . . .	26,124,212
 <b>Deferred outflows of resources:</b>	
Pension - STRS . . . . .	871,103
Pension - SERS . . . . .	265,184
Total deferred outflows of resources . . . . .	1,136,287
 Total assets and deferred outflows of resources . . . . .	 27,260,499
 <b>Liabilities:</b>	
Accounts payable. . . . .	20,596
Accrued wages and benefits payable . . . . .	880,612
Intergovernmental payable . . . . .	11,106
Pension and postemployment benefits payable . . . . .	117,061
Accrued interest payable . . . . .	199,273
Long-term liabilities:	
Due within one year. . . . .	542,783
Due in more than one year:	
Net pension liability. . . . .	11,119,543
Other amounts due in more than one year . . . . .	13,647,459
Total liabilities . . . . .	26,538,433
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	6,087,840
Pension - STRS. . . . .	901,720
Pension - SERS. . . . .	68,444
Total deferred inflows of resources . . . . .	7,058,004
 <b>Net position:</b>	
Net investment in capital assets . . . . .	2,315,054
Restricted for:	
Federally funded programs . . . . .	26,016
Student activities . . . . .	31,447
Other purposes . . . . .	36,278
Unrestricted (deficit) . . . . .	(8,744,733)
Total net position (deficit). . . . .	\$ (6,335,938)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>			
Instruction:			
Regular . . . . .	\$ 4,627,676	\$ 785,544	\$ 31,455
Special . . . . .	1,725,028	94,609	554,221
Vocational . . . . .	51,125	-	3,976
Support services:			
Pupil. . . . .	280,255	-	-
Instructional staff . . . . .	171,571	-	-
Board of education . . . . .	78,331	-	9,169
Administration. . . . .	656,958	-	-
Fiscal. . . . .	454,709	-	78
Operations and maintenance . . . . .	894,810	1,455	-
Pupil transportation. . . . .	637,443	-	29,812
Central . . . . .	49,190	-	-
Operation of non-instructional services:			
Food service operations . . . . .	462,054	165,069	219,477
Extracurricular activities. . . . .	418,556	78,285	21,726
Interest and fiscal charges . . . . .	615,865	-	-
Total governmental activities . . . . .	\$ 11,123,571	\$ 1,124,962	\$ 869,914
 <b>General revenues:</b>			
Property taxes levied for:			
General purposes . . . . .			5,027,499
Capital outlay. . . . .			1,024,835
Grants and entitlements not restricted to specific programs . . . . .			3,391,129
Investment earnings . . . . .			275
Miscellaneous . . . . .			19,372
Total general revenues . . . . .			9,463,110
Change in net position . . . . .			334,415
<b>Net position (deficit) at beginning of year . .</b>			(6,670,353)
<b>Net position (deficit) at end of year. . . . .</b>			\$ (6,335,938)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 3,274,618	\$ 10,579	\$ 87,727	\$ 3,372,924
Receivables:				
Property taxes. . . . .	5,351,273	1,092,218	-	6,443,491
Accounts . . . . .	16,899	-	518	17,417
Intergovernmental. . . . .	79,290	-	91,591	170,881
Prepayments. . . . .	23,349	-	803	24,152
Inventory held for resale. . . . .	-	-	12,170	12,170
Total assets . . . . .	<u>\$ 8,745,429</u>	<u>\$ 1,102,797</u>	<u>\$ 192,809</u>	<u>\$ 10,041,035</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 20,343	\$ -	\$ 253	\$ 20,596
Accrued wages and benefits payable . . . . .	810,437	-	70,175	880,612
Compensated absences payable . . . . .	24,136	-	-	24,136
Intergovernmental payable . . . . .	10,211	-	895	11,106
Pension and postemployment obligation payable . . . . .	109,271	-	7,790	117,061
Total liabilities. . . . .	<u>974,398</u>	<u>-</u>	<u>79,113</u>	<u>1,053,511</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	5,058,837	1,029,003	-	6,087,840
Delinquent property tax revenue not available. . . . .	292,436	63,215	-	355,651
Intergovernmental revenue not available. . . . .	48,961	-	30,145	79,106
Total deferred inflows of resources . . . . .	<u>5,400,234</u>	<u>1,092,218</u>	<u>30,145</u>	<u>6,522,597</u>
<b>Fund balances:</b>				
Nonspendable:				
Prepays. . . . .	23,349	-	803	24,152
Restricted:				
Capital improvements . . . . .	-	10,579	-	10,579
Food service operations . . . . .	-	-	48,540	48,540
Targeted academic assistance . . . . .	-	-	2,595	2,595
Extracurricular. . . . .	-	-	31,447	31,447
Assigned:				
Student and staff support. . . . .	14,585	-	-	14,585
Subsequent year's appropriations . . . . .	185,424	-	-	185,424
School supplies . . . . .	8,025	-	-	8,025
Other purposes. . . . .	-	-	6,066	6,066
Unassigned (deficit) . . . . .	2,139,414	-	(5,900)	2,133,514
Total fund balances . . . . .	<u>2,370,797</u>	<u>10,579</u>	<u>83,551</u>	<u>2,464,927</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 8,745,429</u>	<u>\$ 1,102,797</u>	<u>\$ 192,809</u>	<u>\$ 10,041,035</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	2,464,927
<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.			16,083,177
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	355,651	
Intergovernmental receivable		79,106	
Total		<u>434,757</u>	434,757
Unamortized discounts on certificates of participation are not recognized in the funds.			138,667
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(199,273)
The net pension liability is not due and payable in the current period; therefore, liability and related deferred inflows are not reported in governmental funds.			
Deferred outflows - Pension		1,136,287	
Deferred inflows - Pension		(970,164)	
Net pension liability		(11,119,543)	
Total		<u>(10,953,420)</u>	(10,953,420)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of participation		(13,450,000)	
Lease purchase agreement		(374,437)	
Compensated absences		(397,983)	
Capital lease		(82,353)	
Total		<u>(14,304,773)</u>	(14,304,773)
<b>Net position (deficit) of governmental activities</b>		<u>\$</u>	<u>(6,335,938)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 5,038,408	\$ 1,027,459	\$ -	\$ 6,065,867
Tuition . . . . .	872,363	-	-	872,363
Earnings on investments . . . . .	275	-	-	275
Charges for services . . . . .	-	-	165,069	165,069
Extracurricular . . . . .	21,329	-	56,956	78,285
Classroom materials and fees . . . . .	7,790	-	-	7,790
Rental income . . . . .	1,455	-	-	1,455
Contributions and donations . . . . .	2,031	-	17,652	19,683
Other local revenues . . . . .	17,341	-	4,074	21,415
Intergovernmental - intermediate . . . . .	108,386	-	-	108,386
Intergovernmental - state . . . . .	3,204,702	157,046	8,608	3,370,356
Intergovernmental - federal . . . . .	139,223	-	587,853	727,076
Total revenues . . . . .	<u>9,413,303</u>	<u>1,184,505</u>	<u>840,212</u>	<u>11,438,020</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,089,659	-	32,868	4,122,527
Special . . . . .	1,395,930	-	334,148	1,730,078
Vocational . . . . .	50,685	-	-	50,685
Support services:				
Pupil . . . . .	284,540	-	-	284,540
Instructional staff . . . . .	162,432	-	9,299	171,731
Board of education . . . . .	78,511	-	-	78,511
Administration . . . . .	664,241	-	-	664,241
Fiscal . . . . .	441,437	20,565	78	462,080
Operations and maintenance . . . . .	772,944	170,970	-	943,914
Pupil transportation . . . . .	583,836	-	928	584,764
Central . . . . .	50,496	-	-	50,496
Operation of non-instructional services:				
Food service operations . . . . .	-	-	445,201	445,201
Extracurricular activities . . . . .	314,738	-	88,999	403,737
Facilities acquisition and construction . . . . .	-	41,536	-	41,536
Capital outlay . . . . .	96,899	-	-	96,899
Debt service:				
Principal retirement . . . . .	14,546	406,755	-	421,301
Interest and fiscal charges . . . . .	3,734	610,791	-	614,525
Total expenditures . . . . .	<u>9,004,628</u>	<u>1,250,617</u>	<u>911,521</u>	<u>11,166,766</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>408,675</u>	<u>(66,112)</u>	<u>(71,309)</u>	<u>271,254</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	21,090	21,090
Transfers (out) . . . . .	(21,090)	-	-	(21,090)
Capital lease transaction . . . . .	96,899	-	-	96,899
Total other financing sources (uses) . . . . .	<u>75,809</u>	<u>-</u>	<u>21,090</u>	<u>96,899</u>
Net change in fund balances . . . . .	484,484	(66,112)	(50,219)	368,153
<b>Fund balances at beginning of year . . . . .</b>	<u>1,886,313</u>	<u>76,691</u>	<u>133,770</u>	<u>2,096,774</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,370,797</u>	<u>\$ 10,579</u>	<u>\$ 83,551</u>	<u>\$ 2,464,927</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING 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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	368,153
<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	\$ 215,642	
Current year depreciation	(710,279)	
Total		(494,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(13,533)	
Intergovernmental	33,499	
Total		19,966
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
		421,301
Issuance of capital leases 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.		
		(96,899)
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:		
Accrued interest payable	5,536	
Amortization of discount on certificates of participation	(6,876)	
Total		(1,340)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		645,884
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(532,901)
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.		
		4,888
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>334,415</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING 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, 2016

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,651,033	\$ 3,761,034	\$ 3,761,064	\$ 30
Tuition . . . . .	846,842	872,363	872,363	-
Earnings on investments . . . . .	267	275	275	-
Rental income . . . . .	1,412	1,455	1,455	-
Other local revenues . . . . .	14,032	14,455	14,455	-
Intergovernmental - intermediate . . . . .	105,215	108,386	108,386	-
Intergovernmental - state . . . . .	2,832,408	2,917,768	2,917,768	-
Intergovernmental - federal . . . . .	133,292	137,309	137,309	-
<b>Total revenues . . . . .</b>	<b>7,584,501</b>	<b>7,813,045</b>	<b>7,813,075</b>	<b>30</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,130,030	2,707,681	2,707,315	366
Special . . . . .	1,348,317	1,403,143	1,402,953	190
Vocational . . . . .	70,928	55,030	55,023	7
Support services:				
Pupil . . . . .	281,908	288,086	288,047	39
Instructional staff . . . . .	117,351	162,326	162,304	22
Board of education . . . . .	87,024	83,835	83,824	11
Administration . . . . .	660,540	658,712	658,623	89
Fiscal . . . . .	378,772	420,575	420,518	57
Operations and maintenance . . . . .	806,025	769,350	769,246	104
Pupil transportation . . . . .	635,960	576,233	576,155	78
Central . . . . .	-	487	487	-
Extracurricular activities . . . . .	304,220	271,181	271,144	37
<b>Total expenditures . . . . .</b>	<b>7,821,075</b>	<b>7,396,639</b>	<b>7,395,639</b>	<b>1,000</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(236,574)	416,406	417,436	1,030
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	62,229	62,229	-
Transfers (out) . . . . .	(86,000)	(72,304)	(72,304)	-
Sale of capital assets . . . . .	-	2,645	2,645	-
<b>Total other financing sources (uses) . . . . .</b>	<b>(86,000)</b>	<b>(7,430)</b>	<b>(7,430)</b>	<b>-</b>
Net change in fund balance . . . . .	(322,574)	408,976	410,006	1,030
<b>Fund balance at beginning of year . . . . .</b>	<b>2,841,546</b>	<b>2,841,546</b>	<b>2,841,546</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>45</b>	<b>45</b>	<b>45</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 2,519,017</b>	<b>\$ 3,250,567</b>	<b>\$ 3,251,597</b>	<b>\$ 1,030</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 2,773	\$ 34,437
Total assets. . . . .	2,773	\$ 34,437
<b>Liabilities:</b>		
Due to students. . . . .	-	\$ 34,437
Total liabilities . . . . .	-	\$ 34,437
<b>Net position:</b>		
Held in trust for scholarships . . . . .	2,773	
Total net position. . . . .	\$ 2,773	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions . . . . .	\$ 1,466
Total additions . . . . .	1,466
 <b>Deductions:</b>	
Scholarships awarded . . . . .	922
Change in net position . . . . .	544
<b>Net position at beginning of year . . . . .</b>	<b>2,229</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 2,773</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The Jackson-Milton 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 and is responsible for providing public education to residents of the District.

Average daily membership for fiscal year 2016 was 759. The District employs 62 certified employees and 53 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

**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-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Area Cooperative Computerized Educational Service System

The District is a member of the Area Cooperative Computerized Educational Service System (ACCESS), a not-for-profit computer service, jointly governed organization which provides computer services to the school districts within the boundaries of Mahoning and Columbiana Counties. Each District's superintendent serves as a representative on the Board which consists of 26 school districts in Columbiana and Mahoning County, two educational service centers, 20 non-public schools and two Special Education Regional Resource Centers. However, the degree of control exercised by any participating school district is limited to its representation on the Board.

Mahoning County Career & Technical Center

The Mahoning County Career & Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of representatives from the participating school districts' elected boards, which possess its own budgeting and taxing authority. To obtain financial information, write to the Treasurer of the Career & Technical Center, at 7300 North Palmyra Road, Canfield, Ohio 44406.

*PUBLIC ENTITY RISK POOLS*

Workers' Compensation Group Rating Plan

The District participates in a Workers' Compensation Group Rating Plan (GRP) administered by Sheakley UniServe, Inc. 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 District pays a fee to the GRP to cover the costs of administering the program.

Mahoning County School Employees Insurance Consortium

The Mahoning County School Employees Insurance Consortium is a shared risk pool comprised of fourteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating School District (usually the superintendent or a designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises controls over the operations of the Consortium. All Consortium revenues are generated from charges for services and remitted to the fiscal agent, Springfield Local School District. The fiscal agent will then remit the charges for services to Medical Mutual of Ohio (MMO), who acts in the capacity of a third-party administrator (TPA) for claims processing.

**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.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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.

*Permanent improvement fund* - A capital projects fund used to account for all transactions related to the acquisition, construction, or improvement of capital facilities.

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

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**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.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and 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 outflow 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. Agency funds do not report a measurement focus as they do 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.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2016 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Mahoning County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statements reflect the amounts set forth in the original and final amended official certificates of estimated resources issued for fiscal year 2016.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2016. The budget figures, as shown in the accompanying budgetary statements reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2016. 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, 2016.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the building fund. Interest revenue credited to the general fund during fiscal year 2016 amounted to \$275, which includes \$16 assigned from other funds.

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

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

**G. Inventory**

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

**H. Capital Assets**

Governmental capital assets are those assets generally related to governmental activities. These assets generally 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2016, the District maintained a capitalization threshold of \$2,500. 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. The District does not possess any infrastructure.

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

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

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental activities column on the statement of net position. At June 30, 2016, there were no interfund loans receivable/payable.

**J. Compensated Absences**

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. 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, 2016, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age 50 with at least ten years of service and all employees with twenty 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, 2016, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**L. 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.

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

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

**M. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 amount restricted for other purposes represents amounts restricted for food service operations and sports complex donations.

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**N. Prepayments**

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

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

**O. Unamortized Certificates of Participation (COP) Discount**

On the government-wide and fund financial statements, certificates of participation issuance costs are expended/expensed in the year they occur.

Discounts on certificates of participation are deferred and accreted over the life of the agreement. Discounts are presented as a reduction to the total outstanding amount of the agreement.

On the governmental fund financial statements, certificates of participation discounts are recognized in the current period.

**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/expenses 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/expenses to the funds that initially paid for them are not presented on the basic financial statements.

**R. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**S. 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. Neither type of transaction occurred during fiscal year 2016.

**T. Fair Market Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Improving teacher quality	\$ 5,662
Title VI - B	138

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;

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
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 of 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 or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

At year end, the District had \$2,000 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$3,407,107. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$2,975,189 of the District’s bank balance of \$3,420,664 was exposed to custodial risk as discussed below, while \$445,475 was covered by the FDIC.

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

**C. Investments**

As of June 30, 2016, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Market Value</u>	<u>6 months or less</u>
STAR Ohio	<u>\$ 1,027</u>	<u>\$ 1,027</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District 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.

*Concentration of Credit Risk:* The District’s investment policy addresses concentration of credit risk by requiring investments to be diversified in order to reduce the risk of loss resulting from the over concentration of assets in a specific type of security, the erosion of market value, or by default.

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

However, the District's investment policy does not place any 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, 2016:

<u>Investment type</u>	<u>Fair Market Value</u>	<u>Percent of Total</u>
STAR Ohio	\$ 1,027	100.00

**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 disclosure above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 3,407,107
Investments	1,027
Cash on hand	2,000
Total	<u>\$ 3,410,134</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,372,924
Private-purpose trust fund	2,773
Agency fund	34,437
Total	<u>\$ 3,410,134</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Transfers for the fiscal year ended June 30, 2016, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 21,090

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

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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.

The District receives property taxes from Mahoning County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. 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, 2016 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 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 183,592,160	92.26	\$ 185,632,760	92.47
Public utility personal	<u>15,397,800</u>	<u>7.74</u>	<u>15,113,970</u>	<u>7.53</u>
Total	<u>\$ 198,989,960</u>	<u>100.00</u>	<u>\$ 200,746,730</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$38.70		\$38.80	
Permanent improvement	6.25		6.25	

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, accounts (billings for user charged services and student fees), 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	\$ 6,443,491
Accounts	17,417
Intergovernmental	<u>170,881</u>
Total	<u>\$ 6,631,789</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance			Balance
	<u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/16</u>
<b><u>Governmental activities:</u></b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 346,831	\$ -	\$ -	\$ 346,831
<i>Total capital assets, not being depreciated</i>	<u>346,831</u>	<u>-</u>	<u>-</u>	<u>346,831</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,118,199	85,179	-	2,203,378
Buildings and improvements	19,063,980	-	-	19,063,980
Equipment and furniture	1,378,655	102,999	-	1,481,654
Vehicles	<u>892,683</u>	<u>27,464</u>	<u>-</u>	<u>920,147</u>
<i>Total capital assets, being depreciated</i>	<u>23,453,517</u>	<u>215,642</u>	<u>-</u>	<u>23,669,159</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(893,652)	(114,147)	-	(1,007,799)
Buildings and improvements	(4,786,249)	(458,724)	-	(5,244,973)
Equipment and furniture	(909,495)	(75,282)	-	(984,777)
Vehicles	<u>(633,138)</u>	<u>(62,126)</u>	<u>-</u>	<u>(695,264)</u>
<i>Total accumulated depreciation</i>	<u>(7,222,534)</u>	<u>(710,279)</u>	<u>-</u>	<u>(7,932,813)</u>
Total capital assets, net	<u>\$ 16,577,814</u>	<u>\$ (494,637)</u>	<u>\$ -</u>	<u>\$ 16,083,177</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to the governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 534,618
Special	1,040
Vocational	610
<u>Support services:</u>	
Instructional staff	1,040
Administration	250
Fiscal	859
Operations and maintenance	75,398
Pupil transportation	58,366
Extracurricular activities	20,343
Food service operations	<u>17,755</u>
Total depreciation expense	<u>\$ 710,279</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During the current fiscal year, the District entered into a lease agreement for a copier. The terms of this lease agreement provides an option to purchase the asset.

Capital lease payments have been reclassified and are reflected as debt service expenditures on the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. Governmental capital assets acquired by lease have been capitalized in an amount equal to the present value of the future minimum payments as of the dates of their inception. A corresponding liability has been recorded and is presented as a component of long-term liabilities on the statement of net position. During fiscal year 2016, principal payments equaled \$14,546 and interest payments equaled \$3,734. These amounts are reflected as debt service expenditures in the fund financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Payments</u>
2017	\$ 21,936
2018	21,936
2019	21,936
2020	21,936
2021	<u>3,656</u>
Total future minimum lease payments	91,400
Less: amount representing interest	<u>(9,047)</u>
Present value of future minimum lease payments	<u>\$ 82,353</u>

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. On November 8, 2006, pursuant to the Ohio Revised Code section 3313.375, the District entered into a lease purchase agreement in the form of certificates of participation with the PS&W Holding Company, Inc. (the “Leasing Corporation”) for the construction of a new high school and a new middle school. The lease is an annual lease subject to renewal for thirty years through September 1, 2036. The certificates bear interest rates ranging from 4.00% to 4.50%.

The Leasing Corporation entered into an agreement with a trustee through which it assigned and transferred the rights and interest under the lease to Huntington National Bank as Trustee (the “Trustee”). The Trustee issued the certificates of participation of the lease agreement enabling holders of the certificates to receive a portion of the semiannual lease payments. Proceeds from the issuance were used to construct a new high school and a new middle school. Terms of the trust indenture require the Trustee to create the Jackson-Milton Local School District Facilities Certificate Fund to account for the proceeds of the sale of the certificates of participation. The Facilities Certificate Fund consists of a lease payment account and is utilized by the Trustee for capitalized interest and/or accrued interest on the certificates of participation paid by the original purchaser.

The obligation of the District under the lease and any subsequent lease renewal is subject to annual appropriation of the rental payments. Legal title to the facilities remains with the Trustee until all payments required under the lease have been made. At that time, title will transfer to the District.

The liability for the Certificates is recorded in the governmental activities long-term obligations with the annual principal and interest requirements payable from resources from the permanent improvements capital projects fund. The certificates of participation are not a general obligation of the District but are payable only from appropriations by the District for annual lease payments.

The following are the District’s future annual debt service requirements to amortize the Certificates outstanding at June 30, 2016:

Fiscal Year	Certificates Of Participation		
	Principal	Interest	Total
2017	\$ 365,000	\$ 580,469	\$ 945,469
2018	390,000	565,369	955,369
2019	405,000	549,469	954,469
2020	445,000	532,469	977,469
2021	485,000	513,566	998,566
2022 - 2026	2,750,000	2,236,791	4,986,791
2027 - 2031	3,405,000	1,565,628	4,970,628
2032 - 2036	4,240,000	711,000	4,951,000
2037	965,000	21,713	986,713
Total	<u>\$ 13,450,000</u>	<u>\$ 7,276,474</u>	<u>\$ 20,726,474</u>

- B. During fiscal year 2012, the District entered into a lease purchase agreement with Huntington National Bank for the purchase of new heating and cooling units on the elementary roof. The lease is a ten year agreement with semi-annual payments. The lease bears an interest rate of 3.86% and matures on January 1, 2021. Payments of principal and interest relating to these liabilities are recorded as expenditures in the permanent improvement fund.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The following are the District's future annual debt service requirements to amortize the lease purchase agreement outstanding at June 30, 2016:

Fiscal Year	Lease Purchase Agreement		
	Principal	Interest	Total
2017	\$ 69,330	\$ 13,648	\$ 82,978
2018	72,003	10,974	82,977
2019	74,780	8,197	82,977
2020	77,664	5,313	82,977
2021	80,660	2,319	82,979
Total	<u>\$ 374,437</u>	<u>\$ 40,451</u>	<u>\$ 414,888</u>

C. During fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	Balance	Increases	Decreases	Balance	Amount
	6/30/15			6/30/16	Due in One Year
Certificate of participation (COP)	\$ 13,790,000	\$ -	\$ (340,000)	\$ 13,450,000	\$ 365,000
Net pension liability	9,984,364	1,135,179		11,119,543	-
Capital lease obligation	-	96,899	(14,546)	82,353	18,232
Lease purchase agreement	441,192	-	(66,755)	374,437	69,330
Compensated absences	444,951	148,145	(170,977)	422,119	90,221
Total governmental activities	<u>\$ 24,660,507</u>	<u>\$ 1,380,223</u>	<u>\$ (592,278)</u>	25,448,452	<u>\$ 542,783</u>
Less: Unamortized discount on certificate of participation				(138,667)	
Total on statement of net position				<u>\$ 25,309,785</u>	

Compensated absences are paid out of the fund from which the employee is paid, which for the District is primarily the general fund.

**D. Legal Debt Margins**

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 assessed valuation used in determining the District's legal debt margins 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 calculations 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, 2016, are a legal voted debt margin of \$18,067,206 and a legal unvoted debt margin of \$200,747.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive commercial insurance coverage for real property, building contents, vehicles, boilers, electronic data processing equipment, and instruments. The comprehensive commercial insurance coverage limits are \$32,290,439 and a deductible of \$1,000. The business auto coverage limits are \$1,000,000 for liability and uninsured motorists.

The District has a liability insurance coverage limit of \$1,000,000 per claim and \$3,000,000 annual aggregate.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in coverage from the prior year.

**B. Mahoning County School Employees Insurance Consortium**

The District has joined together with other school districts in Mahoning County to form the Mahoning County School Employees Insurance Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 14 member school districts. The plan was organized to provide life insurance, health care, and other benefits to its member organizations.

Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in a common fund from which claims payments are made for all participating districts and claims flow. The consortium is responsible for paying health plan claims up to \$300,000 per individual per year. Any claims exceeding the \$300,000 is covered by the consortium's stop-loss carrier.

The District pays the health insurance premiums for certified staff and classified employees at 90 percent. The employees pay the remaining 10 percent.

The health and dental coverage is administered by Medical Mutual of Ohio, a third party administrator. National Insurance Services provides the life insurance coverage.

**C. Workers' Compensation**

The District participates in the Better Business Bureau Compensation Group Rating Plan (the "Plan"). The Plan will seek, through Sheakley and the Better Business Bureau, to improve safety, accident prevention and claims handling for the District; and the District agrees to participate in and cooperate with such programs as a condition of continued participation. The District agrees to comply with all current and future BWC Rules and Regulations related to safety training and accident prevention requirements. It is also required that the District attends regionally held safety/claims management seminars on an annual basis.

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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 11 - RISK MANAGEMENT - (Continued)**

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan 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 Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the program.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan. Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$178,232 for fiscal year 2016. Of this amount, \$17,867 is reported as pension and postemployment benefits payable.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description –District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$467,652 for fiscal year 2016. Of this amount, \$76,428 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	\$ 2,308,835	\$ 8,810,708	\$ 11,119,543
Proportion of the net pension liability	0.04046260%	0.03188003%	
Pension expense	\$ 164,510	\$ 368,391	\$ 532,901

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 36,798	\$ 403,451	\$ 440,249
Changes in employer's proportionate percentage/difference between the employer's contributions and the employer's proportionate share of contributions	50,154	-	50,154
District contributions subsequent to the measurement date	178,232	467,652	645,884
Total deferred outflows of resources	\$ 265,184	\$ 871,103	\$ 1,136,287
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 68,444	\$ 668,126	\$ 736,570
Changes in employer's proportionate percentage/difference between the employer's contributions and the employer's proportionate share of contributions	-	233,594	233,594
Total deferred inflows of resources	\$ 68,444	\$ 901,720	\$ 970,164

\$645,884 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	\$ (9,256)	\$ (212,285)	\$ (221,541)
2018	(9,256)	(212,285)	(221,541)
2019	(9,259)	(212,284)	(221,543)
2020	46,279	138,585	184,864
Total	\$ 18,508	\$ (498,269)	\$ (479,761)

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 3,201,525	\$ 2,308,835	\$ 1,557,117

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 12,238,738	\$ 8,810,708	\$ 5,911,797

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$20,240.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$29,843, and \$21,588, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$35,023, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 14 - 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);
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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	\$ 410,006
Net adjustment for revenue accruals	8,622
Net adjustment for expenditure accruals	(25,067)
Net adjustment for other sources/uses	83,239
Funds budgeted elsewhere	7,684
Adjustment for encumbrances	-
GAAP basis	\$ 484,484

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 uniform school supplies fund, the public school support fund, emergency levy fund, and the management information systems fund.

**NOTE 15 - 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 involved in no material litigation as either plaintiff or defendant.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - 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.

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, 2015	\$ -
Current year set-aside requirement	138,358
Current year offsets	<u>(138,358)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

**NOTE 17 – SUBSEQUENT EVENT**

On July 15, 2016, the District issued \$13,235,000 in Refunding Certificates of Participation (COPs) to refund the COPs previously issued in fiscal year 2007. The Refunding COPs carry interest rates of 0.95% - 3.00% and have a final maturity date of June 1, 2036.

**REQUIRED SUPPLEMENTARY INFORMATION**

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.04046260%	0.03915500%	0.03915500%
District's proportionate share of the net pension liability	\$ 2,308,835	\$ 1,981,612	\$ 2,328,422
District's covered-employee payroll	\$ 1,218,134	\$ 1,137,771	\$ 1,148,779
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	202.69%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.



**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.03188003%	0.03290137%	0.03290137%
District's proportionate share of the net pension liability	\$ 8,810,708	\$ 8,002,752	\$ 9,532,826
District's covered-employee payroll	\$ 3,326,150	\$ 3,361,608	\$ 3,717,023
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.89%	238.06%	256.46%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year end.

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 178,232	\$ 160,550	\$ 157,695	\$ 158,991
Contributions in relation to the contractually required contribution	<u>(178,232)</u>	<u>(160,550)</u>	<u>(157,695)</u>	<u>(158,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,273,086	\$ 1,218,134	\$ 1,137,771	\$ 1,148,779
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 153,215	\$ 144,320	\$ 154,675	\$ 107,096	\$ 107,307	\$ 111,888
<u>(153,215)</u>	<u>(144,320)</u>	<u>(154,675)</u>	<u>(107,096)</u>	<u>(107,307)</u>	<u>(111,888)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,139,145	\$ 1,148,130	\$ 1,142,356	\$ 1,088,374	\$ 1,092,739	\$ 1,047,640
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

	LAST TEN FISCAL YEARS			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 467,652	\$ 465,661	\$ 437,009	\$ 483,213
Contributions in relation to the contractually required contribution	<u>(467,652)</u>	<u>(465,661)</u>	<u>(437,009)</u>	<u>(483,213)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 3,340,371	\$ 3,326,150	\$ 3,361,608	\$ 3,717,023
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 476,509	\$ 469,421	\$ 456,466	\$ 448,455	\$ 472,687	\$ 458,615
<u>(476,509)</u>	<u>(469,421)</u>	<u>(456,466)</u>	<u>(448,455)</u>	<u>(472,687)</u>	<u>(458,615)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,665,454	\$ 3,610,931	\$ 3,511,277	\$ 3,449,654	\$ 3,636,054	\$ 3,527,808
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**JACKSON-MILTON LOCAL SCHOOL DISTRICT  
MAHONING COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.



# 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 Milton Local School District  
Mahoning County  
13910 Mahoning Avenue  
North Jackson, Ohio 44451

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 the Jackson Milton Local School District, Mahoning County, (the District) as of and for the year ended June 30, 2016, 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 15, 2016.

### ***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 "D" and "Y".

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

December 15, 2016





# Dave Yost • Auditor of State

JACKSON-MILTON LOCAL SCHOOL DISTRICT

MAHONING 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 29, 2016