



OHIO AUDITOR OF STATE  
**KEITH FABER**





**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2019**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	19
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	20
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	23
Statement of Fiduciary Net Position – Fiduciary Fund.....	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	25
Notes to the Basic Financial Statements.....	27

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2019**

**TABLE OF CONTENTS  
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability	
School Employees Retirement System (SERS) of Ohio.....	72
State Teachers Retirement System (STRS) of Ohio .....	74
Schedule of the District's Pension Contributions	
School Employees Retirement System (SERS) of Ohio .....	76
State Teachers Retirement System (STRS) of Ohio.....	78
Schedule of the District's Proportionate Share of the Net OPEB Liability	
School Employees Retirement System (SERS) of Ohio.....	80
State Teachers Retirement System (STRS) of Ohio .....	81
Schedule of the District's OPEB Contributions	
School Employees Retirement System (SERS) of Ohio .....	82
State Teachers Retirement System (STRS) of Ohio.....	84
Notes to Required Supplementary Information .....	86
Schedule of Expenditures of Federal Awards .....	89
Notes to the Schedule of Expenditures of Federal Awards.....	90
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	91
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	93
Schedule of Findings.....	95

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2019, 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 such 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 the Jackson Local School District, Stark County, Ohio, as of June 30, 2019, 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 and other post-employment benefit liabilities and pension and other post-employment benefit 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.

#### *Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Keith Faber  
Auditor of State

Columbus, Ohio

December 20, 2019

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The management's discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. 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 2019 are as follows:

- In total, net position of governmental activities increased \$8,670,230 which represents a 99.02% increase from 2018's net position.
- General revenues accounted for \$61,707,394 in revenue or 87.58% of all revenues. Program specific revenues in the form of charges for services and sales, operating grants and contributions and capital grants and contributions accounted for \$8,752,852 or 12.42% of total revenues of \$70,460,246.
- The District had \$61,789,926 in expenses related to governmental activities; \$8,752,852 of these expenses were offset by program specific charges for services and operating and capital grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has two major funds: the general fund and capital projects fund. The general fund had \$58,350,689 in revenues and other financing sources and \$58,147,392 in expenditures. The general fund's fund balance increased \$205,272 from \$17,962,426 to \$18,167,698.
- The capital projects fund had \$7,710 in revenues and \$18,932 in expenditures. The fund balance of the capital projects fund decreased \$11,222 from \$14,617,869 to \$14,606,647.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

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

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

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 12. 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 capital projects fund.

***Governmental Funds***

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-70 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 and net OPEB liability/asset. The required supplementary information and notes can be found on pages 72-87 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2019 and June 30, 2018.

	<b>Net Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 94,153,293	\$ 94,614,520
Net OPEB asset	3,463,742	-
Capital assets, net	<u>77,272,320</u>	<u>77,449,382</u>
Total assets	<u>174,889,355</u>	<u>172,063,902</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred loss on debt refunding	211,945	381,946
Pension	17,926,605	22,894,276
OPEB	<u>1,315,273</u>	<u>1,437,540</u>
Total deferred outflows of resources	<u>19,453,823</u>	<u>24,713,762</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,317,814	5,870,929
Long-term liabilities:		
Due within one year	3,736,610	4,612,443
Due in more than one year:		
Net pension liability	61,500,210	67,822,609
Net OPEB liability	6,953,655	15,529,313
Other amounts	<u>38,684,857</u>	<u>42,361,898</u>
Total liabilities	<u>117,193,146</u>	<u>136,197,192</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes and PILOTs levied for next year	48,339,482	47,409,908
Unamortized deferred gain on debt refunding	105,484	114,140
Pension	4,905,831	2,562,511
OPEB	<u>6,372,684</u>	<u>1,737,682</u>
Total deferred inflows of resources	<u>59,723,481</u>	<u>51,824,241</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	39,171,656	35,787,088
Restricted	5,306,613	6,581,108
Unrestricted	<u>(27,051,718)</u>	<u>(33,611,965)</u>
Total net position	<u>\$ 17,426,551</u>	<u>\$ 8,756,231</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The net pension liability (NPL) is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and the net OPEB liability/asset is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability/asset*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the District's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability/asset. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

In accordance with GASB 68 and GASB 75, the District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2019, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$17,426,551.

Assets of the District increased \$2,825,453 or 1.64%. Current and other assets increased primarily due to an increase in property taxes receivable and net OPEB asset.

At year-end, capital assets represented 44.18% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2019, was \$39,171,656. 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.

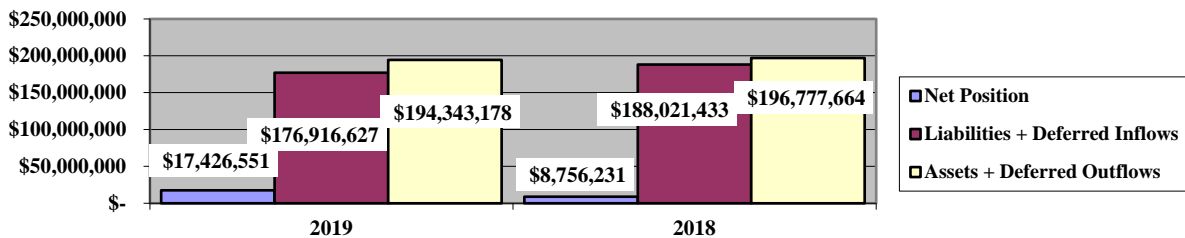
Deferred outflows of resources decreased \$5,259,939 due to pension system related amounts.

Liabilities of the District decreased \$19,004,046 or 13.95%. The largest decreases were in the areas of net pension liability and net OPEB liability. These decreases were the result of changes in benefit terms at the pension system level that decreased the total pension liability and total OPEB liability that was proportionately shared with the District.

A portion of the District's net position, \$5,306,613, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,025,712 is restricted for capital projects and \$3,769,144 is restricted for debt service. The remaining balance of unrestricted net position is (\$27,051,718).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2019 and June 30, 2018.

**Governmental Activities**



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The table below shows the change in net position for fiscal years 2019 and 2018.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 3,753,944	\$ 3,966,998
Operating grants and contributions	4,451,202	4,155,054
Capital grants and contributions	547,706	3,000
General revenues:		
Property taxes	47,525,933	47,171,446
Payment in lieu of taxes	96,819	102,421
Grants and entitlements	12,666,160	12,534,570
Investment earnings	1,343,264	422,554
Other	<u>75,218</u>	<u>102,351</u>
Total revenues	<u>70,460,246</u>	<u>68,458,394</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	24,251,339	12,922,724
Special	6,049,724	3,974,714
Vocational	1,128,738	854,866
Other	1,434,901	1,316,094
Support services:		
Pupil	3,762,706	2,264,739
Instructional staff	4,037,188	2,626,483
Board of education	17,115	11,392
Administration	3,605,832	1,644,153
Fiscal	1,291,680	1,055,125
Business	320,997	448,650
Operations and maintenance	6,673,262	3,962,676
Pupil transportation	3,150,523	1,791,520
Central	243,566	136,141
Operations of non-instructional services:		
Other non-instructional services	34,011	27,274
Food service operations	2,168,608	1,620,780
Extracurricular activities	2,365,992	1,380,476
Interest and fiscal charges	<u>1,253,744</u>	<u>1,598,318</u>
Total expenses	<u>61,789,926</u>	<u>37,636,125</u>
Change in net position	8,670,320	30,822,269
Net position at beginning of year	<u>8,756,231</u>	<u>(22,066,038)</u>
Net position at end of year	<u>\$ 17,426,551</u>	<u>\$ 8,756,231</u>

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

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Governmental Activities**

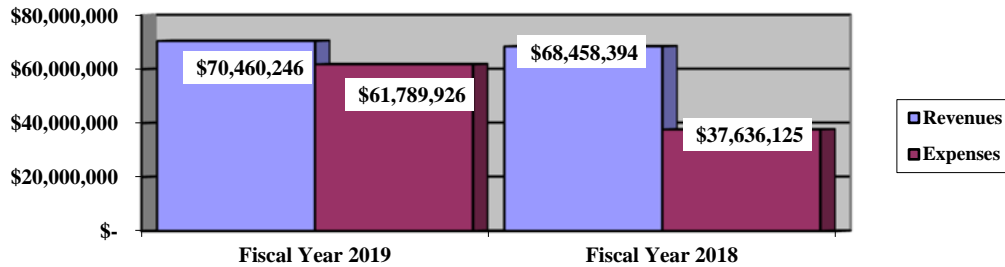
Net position of the District’s governmental activities increased \$8,670,320. Total governmental expenses of \$61,789,926 were offset by program revenues of \$8,752,852 and general revenues of \$61,707,394. Program revenues supported 14.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 85.43% of total governmental revenue. The most significant increase was in the area of investment earnings which increased due to an increase in interest rates earned on investments.

Overall, expenses of the governmental activities increased \$24,153,801 or 64.18%. This increase is primarily the result of the STRS indefinitely suspending the Cost of Living Adjustment (“COLA”) and the School Employee Retirement System (SERS) lowering the COLA from 3.00% to 2.50% in fiscal year 2018. These benefit changes caused a decrease to the net pension liability reported at June 30, 2018 and the subsequent expenses reported for fiscal year 2018 when compared to fiscal year 2017.

The graph below presents the District’s governmental activities revenue and expenses for fiscal years 2019 and 2018.

**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 LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

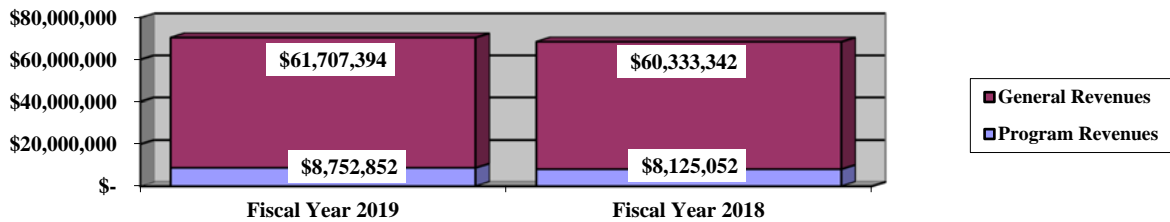
**Governmental Activities**

	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2019</u>	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 24,251,339	\$ 23,238,073	\$ 12,922,724	\$ 11,723,958
Special	6,049,724	2,983,833	3,974,714	1,083,380
Vocational	1,128,738	839,066	854,866	523,964
Other	1,434,901	1,434,901	1,316,094	1,316,094
Support services:				
Pupil	3,762,706	3,186,100	2,264,739	1,667,168
Instructional staff	4,037,188	3,974,164	2,626,483	2,568,521
Board of education	17,115	17,115	11,392	11,392
Administration	3,605,832	3,596,268	1,644,153	1,636,248
Fiscal	1,291,680	1,291,680	1,055,125	1,055,125
Business	320,997	320,997	448,650	448,650
Operations and maintenance	6,673,262	6,590,975	3,962,676	3,914,461
Pupil transportation	3,150,523	2,984,183	1,791,520	1,633,766
Central	243,566	243,566	136,141	135,122
Operations of non-instructional services:				
Other non-instructional services	34,011	26,433	27,274	19,697
Food service operations	2,168,608	54,901	1,620,780	(442,295)
Extracurricular activities	2,365,992	1,001,075	1,380,476	617,504
Interest and fiscal charges	<u>1,253,744</u>	<u>1,253,744</u>	<u>1,598,318</u>	<u>1,598,318</u>
Total	<u>\$ 61,789,926</u>	<u>\$ 53,037,074</u>	<u>\$ 37,636,125</u>	<u>\$ 29,511,073</u>

The dependence upon tax and other general revenues for governmental activities is apparent as 86.71% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.83%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2019 and 2018.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$37,739,546, which is lower than last year's total of \$39,774,655.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2019 and 2018.

	Fund Balance <u>June 30, 2019</u>	Fund Balance <u>June 30, 2018</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 18,167,698	\$ 17,962,426	\$ 205,272	1.14 %
Capital projects	14,606,647	14,617,869	(11,222)	(0.08) %
Other Governmental	<u>4,965,201</u>	<u>7,194,360</u>	<u>(2,229,159)</u>	(30.98) %
Total	<u>\$ 37,739,546</u>	<u>\$ 39,774,655</u>	<u>\$ (2,035,109)</u>	(5.12) %

**General Fund**

During fiscal year 2019, the District's general fund balance increased \$205,572.

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

	2019 <u>Amount</u>	2018 <u>Amount</u>	<u>Change</u>	<u>Percentage Change</u>
<b><u>Revenues and</u></b>				
<b><u>Other financing sources</u></b>				
Taxes	\$ 41,527,134	\$ 40,766,540	\$ 760,594	1.87 %
Tuition	894,742	1,171,496	(276,754)	(23.62) %
Earnings on investments	1,352,036	427,722	924,314	216.10 %
Intergovernmental	13,488,013	13,275,075	212,938	1.60 %
Other revenues	1,079,789	1,150,032	(70,243)	(6.11) %
Proceeds from sale of capital assets	<u>8,975</u>	<u>11,997</u>	<u>(3,022)</u>	(25.19) %
Total	<u>\$ 58,350,689</u>	<u>\$ 56,802,862</u>	<u>\$ 1,547,827</u>	2.72 %
<b><u>Expenditures</u></b>				
Instruction	\$ 33,015,220	\$ 32,302,508	\$ 712,712	2.21 %
Support services	23,193,055	21,461,683	1,731,372	8.07 %
Non-instructional services	26,096	19,678	6,418	32.62 %
Extracurricular activities	1,702,707	1,597,731	104,976	6.57 %
Facilities acquisition and construction	<u>210,314</u>	<u>15,715</u>	<u>194,599</u>	1,238.30 %
Total	<u>\$ 58,147,392</u>	<u>\$ 55,397,315</u>	<u>\$ 2,750,077</u>	4.96 %

Overall revenues and other financing sources of the general fund increased \$1,547,827 or 2.73%. The most significant increases were in the areas of property taxes and earnings on investments. Property taxes increased due to an increase in assessed values on real estate. Earnings on investments increased due to an increase in rates earned on investments.

Expenditures and other financing uses increased \$2,750,077 or 4.96%. The main increase resulted from increase in instructional and support services. Instructional and support services increased \$712,712 and \$1,731,372, respectively, due to increases in salaries, benefits and special education costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***Capital Projects Fund***

The capital projects fund had \$7,710 in revenues and \$18,932 in expenditures. The fund balance of the capital projects fund decreased \$11,222 from \$14,617,869 to \$14,606,647. The District established the capital projects fund to account for various capital related items for future years.

***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 2019, the District did not amend its general fund estimated revenue budget. For the general fund, original and final revenues and other financing sources were \$57,268,924. Actual revenues and other financing sources of \$57,671,708 were \$402,784 more than the original and final budgeted amounts.

General fund actual expenditures plus other financing uses of \$58,143,151 were \$1,246,161 lower than final appropriations (appropriated expenditures plus other financing uses) of \$59,389,312. Original appropriations were also \$59,389,312.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2019, the District had \$77,272,320 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The table that follows shows June 30, 2019 balances compared to June 30, 2018:

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

	Governmental Activities	
	2019	2018
Land	\$ 2,457,911	\$ 2,457,911
Construction in progress	356,712	22,707
Land improvements	3,433,868	3,324,008
Buildings and improvements	67,499,300	68,311,451
Furniture and equipment	332,024	392,099
Vehicles	3,192,505	2,941,206
Total	\$ 77,272,320	\$ 77,449,382

The overall decrease of \$177,062 is the result of depreciation expense of \$3,336,859 exceeding additions of \$3,159,797.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

***Debt Administration***

At June 30, 2019 the District had \$35,625,000 in general obligation bonds outstanding. The general obligation bond issues are comprised of current interest bonds and capital appreciation bonds. Of this total, \$3,370,000 is due within one year and \$32,255,000 is due in more than one year.

The table below summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2019</u>	Governmental Activities <u>2018</u>
Current interest bonds - 2013	\$ 1,435,000	\$ 3,880,000
Current interest bonds - 2016	13,955,000	13,955,000
Capital appreciation bonds - 2016	-	1,675,786
Current interest bonds - 2017	8,930,000	8,945,000
Current interest bonds - 2018	<u>11,305,000</u>	<u>11,460,000</u>
Total	<u>\$ 35,625,000</u>	<u>\$ 39,915,786</u>

At June 30, 2019, the District's overall legal debt margin was \$108,770,776 with an unvoted debt margin of \$1,562,900.

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

**Current Financial Related Activities**

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

The Jackson Local School District continues to receive strong support from the residents of the School District which is evident by their support of local levies. The District currently has 2 levies that are voted on by the taxpayers. A 5 year, 6.8 mill Substitute levy and a 5 year, 5.8 mill Emergency levy. The Substitute levy generates \$8,350,000 annually for operating expenditures and was renewed in March 2016. The Substitute Levy will also generate additional tax revenue over the 5 years if there is new construction that occurs within the school district boundaries. The Emergency levy generates \$6,150,000 annually for operating expenditures and was renewed in May 2019.

The District is proud of its accomplishments and successes. The District's High School ranks 32nd in Ohio and 925 in the Nation in Academic Excellence according to U.S. News and World Report. The Niche report ranked Jackson as #5 of 608 Best School Districts for Athletes in Ohio, #28 of 608 for Best School Districts in Ohio and #26 of 608 Safest School Districts in Ohio.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

The financial picture of the district appears stable over the next 5 years according to the District's 5 Year Forecast. However, major changes in the curriculum standards; the new teacher evaluation system and the future of assessments; state report cards; and measures such as the Performance Index could have a financial impact on the District. The District is monitoring all funding scenarios and prudently providing the necessary resources to maintain its current level of Excellence in both curricular and extra-curricular programs.

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2019

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 43,045,984
Receivables:	
Property taxes . . . . .	50,342,327
Payment in lieu of taxes . . . . .	96,819
Accounts . . . . .	1,800
Accrued interest . . . . .	51,956
Intergovernmental . . . . .	292,425
Prepayments . . . . .	161,877
Materials and supplies inventory . . . . .	146,390
Inventory held for resale . . . . .	13,715
Net OPEB asset . . . . .	3,463,742
Capital assets:	
Nondepreciable capital assets . . . . .	2,814,623
Depreciable capital assets, net . . . . .	74,457,697
Capital assets, net . . . . .	<u>77,272,320</u>
Total assets . . . . .	<u>174,889,355</u>
<b>Deferred outflows of resources:</b>	
Unamortized deferred loss on debt refunding . . . . .	211,945
Pension . . . . .	17,926,605
OPEB . . . . .	<u>1,315,273</u>
Total deferred outflows of resources . . . . .	<u>19,453,823</u>
<b>Liabilities:</b>	
Accounts payable . . . . .	169,517
Contracts payable . . . . .	356,712
Accrued wages and benefits payable . . . . .	4,281,729
Intergovernmental payable . . . . .	445,555
Pension and postemployment benefits payable . . . . .	966,788
Accrued interest payable . . . . .	89,767
Unearned revenue . . . . .	7,746
Long-term liabilities:	
Due within one year . . . . .	3,736,610
Due in more than one year:	
Net pension liability . . . . .	61,500,210
Net OPEB liability . . . . .	6,953,655
Other amounts due in more than one year . . . . .	38,684,857
Total liabilities . . . . .	<u>117,193,146</u>
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	48,242,663
Payment in lieu of taxes levied for the next fiscal year . . . . .	96,819
Unamortized deferred gain on debt refunding . . . . .	105,484
Pension . . . . .	4,905,831
OPEB . . . . .	<u>6,372,684</u>
Total deferred inflows of resources . . . . .	<u>59,723,481</u>
<b>Net position:</b>	
Net investment in capital assets . . . . .	39,171,656
Restricted for:	
Capital projects . . . . .	1,025,712
Debt service . . . . .	3,769,144
Locally funded programs . . . . .	66,488
State funded programs . . . . .	1
Federally funded programs . . . . .	18,429
Student activities . . . . .	363,831
Other purposes . . . . .	63,008
Unrestricted (deficit) . . . . .	<u>(27,051,718)</u>
Total net position . . . . .	<u>\$ 17,426,551</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 24,251,339	\$ 835,850	\$ 177,416	\$ -	\$ (23,238,073)
Special . . . . .	6,049,724	370,217	2,695,674	-	(2,983,833)
Vocational . . . . .	1,128,738	143,224	146,448	-	(839,066)
Other . . . . .	1,434,901	-	-	-	(1,434,901)
Support services:					
Pupil . . . . .	3,762,706	155,950	420,656	-	(3,186,100)
Instructional staff . . . . .	4,037,188	14,378	48,646	-	(3,974,164)
Board of education . . . . .	17,115	-	-	-	(17,115)
Administration . . . . .	3,605,832	5,218	4,346	-	(3,596,268)
Fiscal . . . . .	1,291,680	-	-	-	(1,291,680)
Business . . . . .	320,997	-	-	-	(320,997)
Operations and maintenance . . . . .	6,673,262	33,485	48,802	-	(6,590,975)
Pupil transportation . . . . .	3,150,523	21,459	144,881	-	(2,984,183)
Central . . . . .	243,566	-	-	-	(243,566)
Operation of non-instructional services:					
Other non-instructional services . . . . .	34,011	-	7,578	-	(26,433)
Food service operations . . . . .	2,168,608	1,404,347	709,360	-	(54,901)
Extracurricular activities . . . . .	2,365,992	769,816	47,395	547,706	(1,001,075)
Interest and fiscal charges . . . . .	1,253,744	-	-	-	(1,253,744)
<b>Total governmental activities . . . . .</b>	<b>\$ 61,789,926</b>	<b>\$ 3,753,944</b>	<b>\$ 4,451,202</b>	<b>\$ 547,706</b>	<b>(53,037,074)</b>
<b>General revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					41,573,941
Debt service . . . . .					4,616,390
Capital projects . . . . .					1,335,602
Payments in lieu of taxes . . . . .					96,819
Grants and entitlements not restricted to specific programs . . . . .					12,666,160
Investment earnings . . . . .					1,343,264
Miscellaneous . . . . .					75,218
<b>Total general revenues . . . . .</b>					<b>61,707,394</b>
<b>Change in net position . . . . .</b>					<b>8,670,320</b>
<b>Net position</b>					
<b>at beginning of year . . . . .</b>					<b>8,756,231</b>
<b>Net position at end of year . . . . .</b>					<b>\$ 17,426,551</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 22,962,058	\$ 14,606,647	\$ 5,477,279	\$ 43,045,984
<b>Receivables:</b>				
Property taxes . . . . .	44,765,204	-	5,577,123	50,342,327
Payment in lieu of taxes . . . . .	85,633	-	11,186	96,819
Accounts . . . . .	1,105	-	695	1,800
Accrued interest . . . . .	51,956	-	-	51,956
Intergovernmental . . . . .	166,859	-	125,566	292,425
Prepayments . . . . .	160,449	-	1,428	161,877
Materials and supplies inventory . . . . .	143,303	-	3,087	146,390
Inventory held for resale . . . . .	-	-	13,715	13,715
Total assets . . . . .	<u>\$ 68,336,567</u>	<u>\$ 14,606,647</u>	<u>\$ 11,210,079</u>	<u>\$ 94,153,293</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 116,610	\$ -	\$ 52,907	\$ 169,517
Contracts payable . . . . .	-	-	356,712	356,712
Accrued wages and benefits payable . . . . .	4,041,080	-	240,649	4,281,729
Compensated absences payable . . . . .	205,326	-	-	205,326
Intergovernmental payable . . . . .	425,361	-	20,194	445,555
Pension and postemployment benefits payable . . . . .	919,392	-	47,396	966,788
Unearned revenue . . . . .	300	-	7,446	7,746
Total liabilities . . . . .	<u>5,708,069</u>	<u>-</u>	<u>725,304</u>	<u>6,433,373</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	42,904,614	-	5,338,049	48,242,663
Payment in lieu of taxes levied for the next fiscal year . . . . .	85,633	-	11,186	96,819
Delinquent property tax revenue not available . . . . .	1,291,499	-	164,566	1,456,065
Intergovernmental revenue not available . . . . .	160,582	-	5,773	166,355
Accrued interest not available . . . . .	18,472	-	-	18,472
Total deferred inflows of resources . . . . .	<u>44,460,800</u>	<u>-</u>	<u>5,519,574</u>	<u>49,980,374</u>
<b>Fund balances:</b>				
<b>Nonspendable:</b>				
Materials and supplies inventory . . . . .	143,303	-	3,087	146,390
Prepays . . . . .	160,449	-	1,428	161,877
Unclaimed monies . . . . .	6,560	-	-	6,560
<b>Restricted:</b>				
Debt service . . . . .	-	-	3,734,786	3,734,786
Capital improvements . . . . .	-	-	628,559	628,559
Food service operations . . . . .	-	-	121,738	121,738
Targeted academic assistance . . . . .	-	-	12,656	12,656
Other purposes . . . . .	-	-	66,489	66,489
Extracurricular activities . . . . .	-	-	363,831	363,831
<b>Committed:</b>				
Capital improvements . . . . .	-	-	52,113	52,113
Underground storage tanks . . . . .	11,000	-	-	11,000
<b>Assigned:</b>				
Student instruction . . . . .	197,670	-	-	197,670
Student and staff support . . . . .	587,553	-	-	587,553
Other non-instructional services . . . . .	4,000	-	-	4,000
Capital improvements . . . . .	-	14,606,647	-	14,606,647
Other purposes . . . . .	162,883	-	-	162,883
Unassigned (deficit) . . . . .	16,894,280	-	(19,486)	16,874,794
Total fund balances . . . . .	<u>18,167,698</u>	<u>14,606,647</u>	<u>4,965,201</u>	<u>37,739,546</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 68,336,567</u>	<u>\$ 14,606,647</u>	<u>\$ 11,210,079</u>	<u>\$ 94,153,293</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019

<b>Total governmental fund balances</b>		\$	37,739,546
<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.			77,272,320
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	1,456,065	
Accrued interest receivable		18,472	
Intergovernmental receivable		166,355	
Total			1,640,892
Unamortized premiums on bonds issued are not recognized in the funds.			(2,225,413)
Unamortized amounts on refundings are not recognized in the funds.			
Unamortized deferred loss on refunding		211,945	
Unamortized deferred gain on refunding		(105,484)	
Total			106,461
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(89,767)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		17,926,605	
Deferred inflows of resources - pension		(4,905,831)	
Net pension liability		(61,500,210)	
Total			(48,479,436)
The net OPEB liability/asset is not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - OPEB		1,315,273	
Deferred inflows of resources - OPEB		(6,372,684)	
Net OPEB asset		3,463,742	
Net OPEB liability		(6,953,655)	
Total			(8,547,324)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(35,625,000)	
Compensated absences		(4,365,728)	
Total			(39,990,728)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>17,426,551</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 41,527,134	\$ -	\$ 5,981,527	\$ 47,508,661
Payment in lieu of taxes . . . . .	85,633	-	11,186	96,819
Tuition . . . . .	894,742	-	-	894,742
Transportation fees . . . . .	21,459	-	-	21,459
Earnings on investments . . . . .	1,352,036	-	203	1,352,239
Charges for services . . . . .	-	-	1,421,498	1,421,498
Extracurricular . . . . .	316,105	-	632,889	948,994
Classroom materials and fees . . . . .	194,063	-	33,150	227,213
Rental income . . . . .	13,815	-	-	13,815
Contributions and donations . . . . .	63,920	-	61,272	125,192
Contract services . . . . .	226,223	-	-	226,223
Other local revenues . . . . .	158,571	7,710	22,110	188,391
Intergovernmental - intermediate . . . . .	27,121	-	-	27,121
Intergovernmental - state . . . . .	13,222,950	-	982,217	14,205,167
Intergovernmental - federal . . . . .	237,942	-	2,461,690	2,699,632
<b>Total revenues . . . . .</b>	<b>58,341,714</b>	<b>7,710</b>	<b>11,607,742</b>	<b>69,957,166</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	25,251,562	-	179,885	25,431,447
Special . . . . .	5,240,841	-	1,326,587	6,567,428
Vocational . . . . .	1,031,990	-	3,000	1,034,990
Other . . . . .	1,490,827	-	-	1,490,827
Support services:				
Pupil . . . . .	3,769,192	-	290,134	4,059,326
Instructional staff . . . . .	4,184,548	-	73,877	4,258,425
Board of education . . . . .	18,565	-	-	18,565
Administration . . . . .	3,994,028	-	-	3,994,028
Fiscal . . . . .	1,234,749	-	95,172	1,329,921
Business . . . . .	341,726	-	-	341,726
Operations and maintenance . . . . .	5,587,306	-	1,173,983	6,761,289
Pupil transportation . . . . .	3,820,836	-	-	3,820,836
Central . . . . .	242,105	-	-	242,105
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	26,096	-	7,915	34,011
Food service operations . . . . .	-	-	2,112,197	2,112,197
Extracurricular activities . . . . .	1,702,707	-	741,899	2,444,606
Facilities acquisition and construction . . . . .	210,314	18,932	2,052,330	2,281,576
Debt service:				
Principal retirement . . . . .	-	-	3,679,838	3,679,838
Interest and fiscal charges . . . . .	-	-	1,272,435	1,272,435
Accretion on capital appreciation bonds . . . . .	-	-	830,162	830,162
<b>Total expenditures . . . . .</b>	<b>58,147,392</b>	<b>18,932</b>	<b>13,839,414</b>	<b>72,005,738</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	194,322	(11,222)	(2,231,672)	(2,048,572)
<b>Other financing sources:</b>				
Proceeds from sale of capital assets . . . . .	8,975	-	-	8,975
<b>Total other financing sources . . . . .</b>	<b>8,975</b>	<b>-</b>	<b>-</b>	<b>8,975</b>
Net change in fund balances . . . . .	203,297	(11,222)	(2,231,672)	(2,039,597)
<b>Fund balances at beginning of year . . . . .</b>	<b>17,962,426</b>	<b>14,617,869</b>	<b>7,194,360</b>	<b>39,774,655</b>
<b>Change in reserve for inventory . . . . .</b>	<b>1,975</b>	<b>-</b>	<b>2,513</b>	<b>4,488</b>
<b>Fund balances at end of year . . . . .</b>	<b>\$ 18,167,698</b>	<b>\$ 14,606,647</b>	<b>\$ 4,965,201</b>	<b>\$ 37,739,546</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

<b>Net change in fund balances - total governmental funds</b>	\$	(2,039,597)
<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	\$ 2,619,801	
Current year depreciation	<u>(3,336,859)</u>	
Total		(717,058)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position.		
		539,996
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		4,488
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	17,272	
Earnings on investments	(8,772)	
Intergovernmental	<u>115,166</u>	
Total		123,666
Repayment of bond principal and accretion on capital appreciation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Bonds	3,679,838	
Accretion on capital appreciation bonds	<u>830,162</u>	
Total		4,510,000
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:		
Change in accrued interest payable	22,108	
Accreted interest on capital appreciation bonds	(219,214)	
Amortization of bond premiums	377,142	
Amortization of deferred losses	(170,001)	
Amortization of deferred gains	<u>8,656</u>	
Total		18,691
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		4,882,679
OPEB		203,801
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/net OPEB liability/asset are reported as pension expense/OPEB expense in the statement of activities.		
Pension		(5,871,271)
OPEB		7,078,330
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(63,405)</u>
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>8,670,320</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<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 . . . . .	\$ 41,201,560	\$ 41,201,560	\$ 41,406,392	\$ 204,832
Payment in lieu of taxes. . . . .	85,633	85,633	85,633	-
Tuition. . . . .	944,877	944,877	894,743	(50,134)
Transportation fees. . . . .	19,732	19,732	21,458	1,726
Earnings on investments . . . . .	850,000	850,000	1,038,471	188,471
Extracurricular. . . . .	136,358	136,358	137,156	798
Classroom materials and fees . . . . .	85,000	85,000	91,108	6,108
Rental income . . . . .	20,970	20,970	15,320	(5,650)
Contributions and donations . . . . .	21,000	21,000	14,600	(6,400)
Contract services. . . . .	135,000	135,000	183,526	48,526
Other local revenues . . . . .	56,996	56,996	43,970	(13,026)
Intergovernmental - intermediate . . . . .	40,131	40,131	27,121	(13,010)
Intergovernmental - state . . . . .	13,288,978	13,288,978	13,244,360	(44,618)
Intergovernmental - federal . . . . .	136,790	136,790	124,770	(12,020)
Total revenues . . . . .	<u>57,023,025</u>	<u>57,023,025</u>	<u>57,328,628</u>	<u>305,603</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	25,332,607	25,328,787	25,123,545	205,242
Special. . . . .	5,414,171	5,638,271	5,611,045	27,226
Vocational. . . . .	1,068,060	1,042,560	1,008,229	34,331
Other. . . . .	1,568,759	1,528,759	1,490,608	38,151
Support services:				
Pupil. . . . .	3,720,005	3,807,005	3,645,526	161,479
Instructional staff . . . . .	4,153,354	4,288,654	4,145,737	142,917
Board of education . . . . .	20,000	20,000	17,447	2,553
Administration. . . . .	3,973,238	3,979,038	3,870,236	108,802
Fiscal . . . . .	1,269,355	1,222,475	1,205,258	17,217
Business . . . . .	463,290	455,840	407,145	48,695
Operations and maintenance. . . . .	5,944,083	5,927,583	5,719,835	207,748
Pupil transportation . . . . .	4,092,281	3,967,781	3,820,205	147,576
Central. . . . .	258,181	250,181	222,960	27,221
Other operation of non-instructional services . . . . .	64,520	65,520	65,374	146
Extracurricular activities. . . . .	1,644,195	1,644,695	1,579,541	65,154
Facilities acquisition and construction . . . . .	388,213	213,013	210,314	2,699
Total expenditures . . . . .	<u>59,374,312</u>	<u>59,380,162</u>	<u>58,143,005</u>	<u>1,237,157</u>
Excess of expenditures over revenues. . . . .	<u>(2,351,287)</u>	<u>(2,357,137)</u>	<u>(814,377)</u>	<u>1,542,760</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	230,899	230,899	317,327	86,428
Refund of prior year's receipts. . . . .	-	(150)	(146)	4
Transfers in . . . . .	-	-	14,838	14,838
Advances (out) . . . . .	(15,000)	(9,000)	-	9,000
Proceeds from sale of capital assets . . . . .	15,000	15,000	10,915	(4,085)
Total other financing sources (uses) . . . . .	<u>230,899</u>	<u>236,749</u>	<u>342,934</u>	<u>106,185</u>
Net change in fund balance . . . . .	(2,120,388)	(2,120,388)	(471,443)	1,648,945
<b>Fund balance at beginning of year . . . . .</b>	<b>21,016,128</b>	<b>21,016,128</b>	<b>21,016,128</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>1,087,546</b>	<b>1,087,546</b>	<b>1,087,546</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 19,983,286</b>	<b>\$ 19,983,286</b>	<b>\$ 21,632,231</b>	<b>\$ 1,648,945</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 59,002	\$ 188,703
Cash and investments in segregated accounts	46,034	-
Receivables:		
Accounts . . . . .	-	200
	105,036	\$ 188,903
Total assets. . . . .	105,036	\$ 188,903
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 2,523
Due to students. . . . .	-	186,380
	-	\$ 188,903
Total liabilities . . . . .	-	\$ 188,903
<b>Net position:</b>		
Held in trust for scholarships . . . . .	105,036	
	105,036	
Total net position. . . . .	\$ 105,036	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
<b>Additions:</b>		
Interest . . . . .	\$	12,047
Gifts and contributions . . . . .		11,575
Total additions . . . . .		<u>23,622</u>
<b>Deductions:</b>		
Scholarships awarded . . . . .		<u>23,713</u>
Change in net position . . . . .		(91)
<b>Net position at beginning of year . . . . .</b>		<u>105,127</u>
<b>Net position at end of year . . . . .</b>	<b>\$</b>	<u><u>105,036</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

The District employs 281 non-certified and 372 certified employees to provide services to 5,952 students in grades K through 12 and various community groups.

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

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

**A. Reporting Entity**

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

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

Stark County Tax Incentive Review Council (SCTIRC)

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

*PUBLIC ENTITY RISK POOLS*

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

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

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

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

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

**B. Fund Accounting**

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



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**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.

Capital projects fund - The capital projects fund is used to account for transfers from the general fund, rental income and miscellaneous revenue that are assigned for various capital projects throughout the District.

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

*FIDUCIARY FUNDS*

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

*Deferred 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. See Notes 11 and 12 for deferred outflows of resources related the District's net pension liability and net OPEB liability/asset, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 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.

See Notes 11 and 12 for deferred inflows of resources related to the District's net pension liability and net OPEB liability/asset, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position. In addition, deferred outflows of resources include a deferred gain on debt refunding. A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

*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.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**E. Budgets**

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2019, investments were limited to commercial paper, negotiable certificates of deposits, Farm Federal Credit Bank (FFCB) securities, Federal Home Loan Bank (FHLB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a U.S. Government money market account. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

During fiscal year 2019, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2019 amounted to \$1,352,036, which includes \$669,358 assigned from other District funds.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The District maintains a capitalization threshold of \$10,000 for assets purchased from all funds excluding federal funds. The District maintains a capitalization threshold of \$5,000 for assets purchased from federal funds. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	15 - 20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	15 - 20 years

**I. Bond Issuance Costs/Unamortized Bond Premium and Discount/Deferred Loss or Gain on Debt Refunding**

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds” and “interfund loans receivable/payable”. These amounts are eliminated in government activities column on the statement of net position. On the fund financial statements, receivables and payables resulting from short-term interfund loans between governmental and agency funds are classified as loans receivable/payable. At June 30, 2019, there were no interfund loans outstanding.

**K. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2019, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2019 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

**M. Fund Balance**

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

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

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

*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.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

**N. Net Position**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Interfund Activity**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**R. Pensions/Other Postemployment Benefits (OPEB)**

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

**S. Fair 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.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2019, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2019, the District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the District.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2019 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 3,352
Title I	8,310
Miscellaneous federal grants	7,824

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances 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 fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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

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

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

**A. Cash on Hand**

At fiscal year end, the District had \$2,459 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

**B. Deposits with Financial Institutions**

At June 30, 2019, the carrying amount of all District deposits was \$501,387 and the bank balance of all District deposits was \$774,660. Of the bank balance, \$264,757 was covered by the FDIC and \$255,257 was covered by the Ohio Pooled Collateral System and \$254,646 was exposed to custodial credit risk because this amount was uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For fiscal year 2019, the District's financial institution was approved for a reduced collateral rate of fifty percent through OPCS. Although all statutory requirements for the deposit of money has been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**C. Cash and Investments in Segregated Accounts**

At June 30, 2019, the District had \$46,034 in cash and investments in segregated accounts held for scholarships. The amount is comprised of a U.S. Government money market account, American Electric Power (AEP) common stock and First Energy Corp common stock. The stock is valued using quoted market prices (Level 1 inputs).

**D. Investments**

As of June 30, 2019, the District had the following investments and maturities:

<u>Measurement/Investment Type:</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
<i>Fair value:</i>						
Commercial paper	\$ 3,802,955	\$ 3,062,277	\$ 740,678	\$ -	\$ -	\$ -
FFCB	535,880	-	-	-	535,880	-
FHLB	2,174,195	-	-	-	569,499	1,604,696
FHLMC	4,165,408	-	648,492	746,438	2,770,478	-
FNMA	1,956,972	-	-	1,956,972	-	-
Negotiable CD's	3,213,650	987,902	246,348	742,382	-	1,237,018
U.S. Government money market	109,049	109,049	-	-	-	-
<i>Amortized Cost:</i>						
STAR Ohio	26,831,734	26,831,734	-	-	-	-
<b>Total</b>	<b>\$ 42,789,843</b>	<b>\$ 30,990,962</b>	<b>\$ 1,635,518</b>	<b>\$ 3,445,792</b>	<b>\$ 3,875,857</b>	<b>\$ 2,841,714</b>

The weighted average of maturity of investments is 0.56 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The District's investments in commercial paper, federal agency securities (FHLB, FNMA, FFCB, FHLMC) and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

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

*Credit Risk:* The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the U.S. Government money market an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. 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 places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2019:

<u>Measurement/Investment type</u>	<u>Measurement Value</u>	<u>% of Total</u>
<i>Fair value:</i>		
Commercial paper	\$ 3,802,955	8.89
FFCB	535,880	1.25
FHLB	2,174,195	5.08
FHLMC	4,165,408	9.73
FNMA	1,956,972	4.57
Negotiable CD's	3,213,650	7.51
U.S. Government money market	109,049	0.25
<i>Amortized Cost:</i>		
STAR Ohio	<u>26,831,734</u>	<u>62.72</u>
Total	<u>\$ 42,789,843</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2019:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 501,387
Investments	42,789,843
Cash and investments in segregated accounts	46,034
Cash on hand	<u>2,459</u>
Total	<u>\$ 43,339,723</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 43,045,984
Private-purpose trust funds	105,036
Agency funds	<u>188,703</u>
Total	<u>\$ 43,339,723</u>

**NOTE 5 - PROPERTY TAXES**

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2019 represent the collection of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed values as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised fair 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 2019 represent the collection of calendar year 2018 taxes. Public utility real and personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, 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 Stark and Summit Counties. The County Auditor/Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available as an advance at June 30, 2019 was \$569,091 in the general fund, \$55,403 in the bond retirement fund (a nonmajor governmental fund) and \$19,105 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2018 was \$448,349 in the general fund, \$60,894 in the bond retirement fund (a nonmajor governmental fund) and \$14,499 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 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 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 1,346,674,360	95.78	\$ 1,497,637,140	95.82
Public utility personal	<u>59,384,710</u>	<u>4.22</u>	<u>65,262,750</u>	<u>4.18</u>
<b>Total</b>	<b><u>\$ 1,406,059,070</u></b>	<b><u>100.00</u></b>	<b><u>\$ 1,562,899,890</u></b>	<b><u>100.00</u></b>

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

Operations	\$46.20	\$45.30
Bond	4.20	2.90
Permanent improvement	1.00	1.00

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2019 consisted of property taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 50,342,327
Payment in lieu of taxes	96,819
Accounts	1,800
Accrued interest	51,956
Intergovernmental	<u>292,425</u>
Total	<u>\$ 50,785,327</u>

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

**NOTE 7 - CAPITAL ASSETS**

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2019</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 2,457,911	\$ -	\$ -	\$ 2,457,911
Construction in progress	<u>22,707</u>	<u>733,743</u>	<u>(399,738)</u>	<u>356,712</u>
Total capital assets, not being depreciated	<u>2,480,618</u>	<u>733,743</u>	<u>(399,738)</u>	<u>2,814,623</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	9,632,135	545,543	-	10,177,678
Building and improvements	114,074,113	1,723,647	-	115,797,760
Furniture and equipment	3,295,666	41,781	(63,530)	3,273,917
Vehicles	<u>6,119,918</u>	<u>514,821</u>	<u>(100,950)</u>	<u>6,533,789</u>
Total capital assets, being depreciated	<u>133,121,832</u>	<u>2,825,792</u>	<u>(164,480)</u>	<u>135,783,144</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(6,308,127)	(435,683)	-	(6,743,810)
Building and improvements	(45,762,662)	(2,535,798)	-	(48,298,460)
Furniture and equipment	(2,903,567)	(101,856)	63,530	(2,941,893)
Vehicles	<u>(3,178,712)</u>	<u>(263,522)</u>	<u>100,950</u>	<u>(3,341,284)</u>
Total accumulated depreciation	<u>(58,153,068)</u>	<u>(3,336,859)</u>	<u>164,480</u>	<u>(61,325,447)</u>
Governmental activities capital assets, net	<u>\$ 77,449,382</u>	<u>\$ 222,676</u>	<u>\$ (399,738)</u>	<u>\$ 77,272,320</u>



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,910,500
Special	84,076
Vocational	160,954
<u>Support services:</u>	
Pupil	50,977
Instructional staff	111,275
Administration	59,227
Fiscal	20,051
Operations and maintenance	236,685
Pupil transportation	270,215
Central	18,757
Extracurricular activities	218,671
Food service operations	<u>195,471</u>
Total depreciation expense	<u>\$ 3,336,859</u>

**NOTE 8 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2018, the following activity occurred in governmental activities long-term obligations.

	Balance			Balance	Amount
	<u>June 30, 2018</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2019</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 39,915,786	\$ 219,214	\$ (4,510,000)	\$ 35,625,000	\$ 3,370,000
Net pension liability	67,822,609	-	(6,322,399)	61,500,210	-
Net OPEB liability	15,529,313	81,997	(8,657,655)	6,953,655	-
Compensated absences	<u>4,456,000</u>	<u>428,120</u>	<u>(313,066)</u>	<u>4,571,054</u>	<u>366,610</u>
Total	<u>\$ 127,723,708</u>	<u>\$ 729,331</u>	<u>\$ (19,803,120)</u>	108,649,919	<u>\$ 3,736,610</u>
Add: unamortized premium				<u>2,225,413</u>	
Total on statement of net position				<u>\$ 110,875,332</u>	

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

Net Pension Liability and Net OPEB Liability/Asset: See Notes 11 and 12 for details. The District pays obligations related to employee compensation from the fund benefiting from their service.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

- B. Series 2013 Refunding Bonds:** On July 11, 2013, the District issued general obligation bonds (Series 2013 Refunding Bonds) to advance refund a portion of the Series 2005 B current interest general obligation bonds (principal \$10,705,000). The issuance proceeds of \$10,705,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$1,485,000.

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

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

The following is a schedule of activity for fiscal year 2019 on the Series 2013 refunding bonds:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Current interest bonds -				
Series 2013 refunding bonds	\$ 3,880,000	\$ -	\$ (2,445,000)	\$ 1,435,000

The following is a summary of the future debt service requirements to maturity for the Series 2013 refunding bonds:

Fiscal	Current Interest Bonds		
Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,435,000	\$ 29,991	\$ 1,464,991

- C. Series 2016 Refunding Bonds:** On July 27, 2016, the District issued general obligation bonds (Series 2016 Refunding Bonds) to advance refund \$15,560,000 of the Series 2007 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was \$13,875,000.

The refunding issue is comprised of both current interest bonds, par value \$14,495,000, and capital appreciation bonds, par value \$1,064,838. The interest rates on the current interest bonds range from 0.700% to 2.437%. The capital appreciation bonds matured on December 1, 2018 (stated interest rate 26.160%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$1,895,000. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2025.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The following is a schedule of activity for fiscal year 2019 on the Series 2016 refunding bonds:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Current interest bonds -				
Series 2017 refunding bonds	\$ 13,955,000	\$ -	\$ -	\$ 13,955,000
Capital appreciation bonds -				
Series 2017 refunding bonds	1,064,838	-	(1,064,838)	-
Capital appreciation bonds -				
Accreted interest	<u>610,948</u>	<u>219,214</u>	<u>(830,162)</u>	<u>-</u>
Total G.O. bonds	<u>\$ 15,630,786</u>	<u>\$ 219,214</u>	<u>\$ (1,895,000)</u>	<u>\$ 13,955,000</u>

The reacquisition price exceeded the net carrying amount of the old debt by \$219,506. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,425,365 and resulted in an economic gain of \$1,296,883.

The following is a summary of the future debt service requirements to maturity for the Series 2016 refunding bonds:

Fiscal Year Ending <u>June 30,</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,900,000	\$ 256,379	\$ 2,156,379
2021	1,920,000	229,722	2,149,722
2022	1,950,000	198,925	2,148,925
2023	1,980,000	163,445	2,143,445
2024	2,025,000	122,006	2,147,006
2025 - 2026	<u>4,180,000</u>	<u>101,443</u>	<u>4,281,443</u>
Total	<u>\$ 13,955,000</u>	<u>\$ 1,071,920</u>	<u>\$ 15,026,920</u>

- D. *Series 2017 Refunding Bonds:*** On March 14, 2017, the District issued general obligation bonds (Series 2017 Refunding Bonds) to advance refund \$9,670,000 of the Series 2007 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was 9,670,000.

The refunding issue is comprised of current interest bonds, par value \$9,060,000, that carry an interest rate ranging from 2.00% to 4.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2033.

The net carrying amount of the old debt exceeded the reacquisition price by \$37,151. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,632,138 and resulted in an economic gain of \$1,070,015.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The following is a schedule of activity for fiscal year 2019 on the Series 2017 refunding bonds:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Current interest bonds -				
Series 2017 refunding bonds	\$ 8,945,000	\$ -	\$ (15,000)	\$ 8,930,000

The following is a summary of the future debt service requirements to maturity for the Series 2017 refunding bonds:

Fiscal Year Ending	Current Interest Bonds		
June 30,	Principal	Interest	Total
2020	\$ 15,000	\$ 355,026	\$ 370,026
2021	15,000	354,725	369,725
2022	15,000	354,425	369,425
2023	15,000	354,125	369,125
2024	15,000	353,807	368,807
2025 - 2029	85,000	1,762,331	1,847,331
2030 - 2034	8,770,000	1,183,800	9,953,800
Total	\$ 8,930,000	\$ 4,718,239	\$ 13,648,239

- E. Series 2018 Refunding Bonds:** During fiscal year 2018, the District issued \$11,460,000 in general obligation bonds to refund \$12,035,000 of the Series 2007 Refunding Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2019 was 12,035,000.

The issue is comprised of both current interest bonds, par value \$11,460,000. The interest rates on the current interest bonds range from 2.00% - 4.00%. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

The net carrying amount of the old debt exceeded the reacquisition price by \$81,470. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which has a final maturity date of December 1, 2030. This advance refunding was undertaken to reduce the combined total debt service payments by \$1,403,616 and resulted in an economic gain of \$1,104,469.

The following is a schedule of activity for fiscal year 2019 on the Series 2018 refunding bonds:

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>
Current interest bonds -				
Series 2018 refunding bonds	\$ 11,460,000	\$ -	\$ (155,000)	\$ 11,305,000

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The following is a summary of the future debt service requirements to maturity for the series 2018 refunding bonds:

Fiscal Year Ending June 30,	<u>2018 Refunding Bonds</u>		
	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,000	\$ 449,087	\$ 469,087
2021	20,000	448,687	468,687
2022	20,000	448,287	468,287
2023	20,000	447,888	467,888
2024	25,000	447,422	472,422
2025 - 2029	6,835,000	1,831,472	8,666,472
2030 - 2031	4,365,000	164,100	4,529,100
Total	<u>\$ 11,305,000</u>	<u>\$ 4,236,943</u>	<u>\$ 15,541,943</u>

**F. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2019, are a voted debt margin of \$108,770,776 (including available funds of \$3,734,786) and an unvoted debt margin of \$1,562,900.

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn 10 to 22 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators are employed to work no more than 226 days per year. Teachers, administrators and non-certified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 355 days for non-certified and 350 days for certified employees. Upon retirement, non-certified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days. Upon retirement, non-certified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 72 days for certified employees and 73 days for classified employees. In addition, certified and classified employees shall be paid \$10 per day for every day of sick leave accumulated from 200 to 300 days and \$20 per day from 301 days up to a maximum of 350 days.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 9 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

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

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles for which the policy period was September 1, 2018 through September 1, 2019. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General Liability:	Liberty Mutual		
Each Occurrence		\$ 1,000,000	\$ 0
General Aggregate		2,000,000	
Products/Complete Operations Aggregate		2,000,000	0
Building and Contents Replacement Cost	Liberty Mutual	196,904,260	5,000
Fleet:	Liberty Mutual		
Auto Liability		1,000,000	0
Uninsured Motorist		100,000	0
Comprehensive Collision			250 500
Umbrella Liability - Each Occurrence	Liberty Mutual	10,000,000	
General Aggregate		10,000,000	10,000
Product/Completed Ops Aggregate		10,000,000	Retention
Employee Benefits Liability	Liberty Mutual		
Each Employee		1,000,000	1,000
Aggregate		3,000,000	
School Leaders Errors and Omissions Liability	Liberty Mutual		
Each Wrongful Act		1,000,000	2,500
Aggregate		1,000,000	
School Law Enforcement Liability	Liberty Mutual		
Each Wrongful Act		1,000,000	2,500
Aggregate		1,000,000	0
Sexual Misconduct and Molestation Liability	Liberty Mutual		
Each Loss Limit		1,000,000	0
Aggregate		1,000,000	0
Innocent Party Aggregate		300,000	0

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Employers Stop GAP Liability	Liberty Mutual	\$1,000,000	
Bodily Injury by Accident/ Each Accident Limit	Liberty Mutual	1,000,000	0
Bodily Injury by Disease/ Policy Limit	Liberty Mutual	1,000,000	
Bodily Injury by Disease/ Each Employee Limit	Liberty Mutual	1,000,000	
Aggregate Limit		2,000,000	
Data Compromise Coverage			
Response Expense Limit	Liberty Mutual	100,000	2,500
Defense & Liability Limit		100,000	2,500
Violent Event Response	Liberty Mutual	300,000	0

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

**B. Shared Risk Pool**

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of an 85 member council of which 66 are member school Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,826 for family coverage and \$752 for single coverage per employee per month. The District pays dental premiums of \$235 for family coverage and \$95 for single coverage per employee per month.

**C. Workers' Compensation**

The District participates in a workers compensation program jointly sponsored by the Ohio Association of School Business Officials (OASBO) and the Ohio School Board Association (OSBA), known as SchoolComp. CompManagement, Inc. (CMI) is the program's third party administrator. SchoolComp serves to group its members' risks for the purpose of obtaining a favorable experience rating to determine its premium liability to the Ohio Bureau of Workers' Compensation (OBWC) and the Ohio Workers' Compensation Fund. This may be accomplished through participation in a group rating program or through group retrospective rating. The District has chosen to participate in the group retrospective rating program for 2019. Participation in SchoolComp is restricted to members who meet enrollment criteria and are jointly in good standing with OASBO and OSBA. OASBO and OSBA are certified sponsors recognized by OBWC.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 11 - 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.

The 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.

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

Plan Description - The 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.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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	Age 65 with 5 years of services credit; or 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; or 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 years of service; 2.2% for the first thirty years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Effective January 1, 2018, SERS cost-of-living adjustment (COLA) changed from a fixed 3% annual increase to one based on the Consumer Price Index (CPI-W) with a cap of 2.5% and a floor of 0%. SERS also has the authority to award or suspend the COLA, or to adjust the COLA above or below CPI-W. SERS suspended the COLA increases for 2018, 2019 and 2020 for current retirees, and confirmed their intent to implement a four-year waiting period for the state of a COLA for future retirees.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% 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% for plan members and 14% 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5%. The remaining 0.5% of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,237,226 for fiscal year 2019. Of this amount, \$185,746 is reported as pension and postemployment benefits payable.

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

Plan Description - Licensed teachers 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 website at [www.strsoh.org](http://www.strsoh.org).

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

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% of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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.

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 to 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. For fiscal year 2019, plan members were required to contribute 14% of their annual covered salary. The District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,645,453 for fiscal year 2019. Of this amount, \$623,064 is reported as pension and postemployment benefits payable.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*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, 2018, 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 projected contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.25289940%	0.22189835%	
Proportion of the net pension liability current measurement date	<u>0.24627440%</u>	<u>0.21555461%</u>	
Change in proportionate share	<u>-0.00662500%</u>	<u>-0.00634374%</u>	
Proportionate share of the net pension liability	\$ 14,104,591	\$ 47,395,619	\$ 61,500,210
Pension expense	\$ 926,364	\$ 4,944,907	\$ 5,871,271

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 773,548	\$ 1,094,037	\$ 1,867,585
Changes of assumptions	318,512	8,399,398	8,717,910
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	290,777	2,167,654	2,458,431
Contributions subsequent to the measurement date	<u>1,237,226</u>	<u>3,645,453</u>	<u>4,882,679</u>
Total deferred outflows of resources	<u>\$ 2,620,063</u>	<u>\$ 15,306,542</u>	<u>\$ 17,926,605</u>

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 309,522	\$ 309,522
Net difference between projected and actual earnings on pension plan investments	390,793	2,874,021	3,264,814
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	<u>310,355</u>	<u>1,021,140</u>	<u>1,331,495</u>
Total deferred inflows of resources	<u>\$ 701,148</u>	<u>\$ 4,204,683</u>	<u>\$ 4,905,831</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

\$4,882,679 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, 2020.

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:			
2020	\$ 959,807	\$ 4,456,949	\$ 5,416,756
2021	304,607	3,116,529	3,421,136
2022	(462,873)	748,589	285,716
2023	(119,852)	(865,661)	(985,513)
Total	\$ 681,689	\$ 7,456,406	\$ 8,138,095

***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.

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, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
COLA or ad hoc COLA	2.50%, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment rate of return	7.50% net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

For 2018, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members was based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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 average 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.50%. 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 (7.50%). 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 7.50%, 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 (6.50%), or one percentage point higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 19,867,380	\$ 14,104,591	\$ 9,272,878

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation are presented below:

	July 1, 2018
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments (COLA)	0.0%, effective July 1, 2017

For the July 1, 2018, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\*The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

**Discount Rate** - The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

**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 7.45%, 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 (6.45%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 69,215,062	\$ 47,395,619	\$ 28,928,421

**NOTE 12 - DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability/Asset**

The net OPEB liability/asset reported on the statement of net position represents a liability/asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB 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 OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability/asset represents the District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability/asset 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 these estimates annually.

The 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 OPEB are financed; however, the District does receive the benefit of employees' services in exchange for compensation including OPEB.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability/asset. Resulting adjustments to the net OPEB liability/asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or *net OPEB asset* on the accrual basis of accounting. Any liability for the contractually-required OPEB 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.

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

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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the District's surcharge obligation was \$157,978.



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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The surcharge added to the allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$203,801 for fiscal year 2019. Of this amount, \$164,612 is reported as pension and postemployment benefits payable.

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

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered 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 partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. 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.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary 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. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Liabilities/Assets, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

The net OPEB liability/asset was measured as of June 30, 2018, and the total OPEB liability/asset used to calculate the net OPEB liability/asset was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability/asset was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.2560481%	0.22189835%	
Proportion of the net OPEB liability/asset current measurement date	<u>0.2506481%</u>	<u>0.21555461%</u>	
Change in proportionate share	<u>-0.0054000%</u>	<u>-0.00634374%</u>	
Proportionate share of the net OPEB liability	\$ 6,953,655	\$ -	\$ 6,953,655
Proportionate share of the net OPEB asset	\$ -	\$ (3,463,742)	\$ (3,463,742)
OPEB expense	\$ 378,475	\$ (7,456,805)	\$ (7,078,330)

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 113,508	\$ 404,572	\$ 518,080
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	125,174	468,218	593,392
Contributions subsequent to the measurement date	203,801	-	203,801
Total deferred outflows of resources	\$ 442,483	\$ 872,790	\$ 1,315,273
	SERS	STRS	Total
<b>Deferred inflows of resources</b>			
Differences between expected and actual experience	\$ -	\$ 201,809	\$ 201,809
Net difference between projected and actual earnings on pension plan investments	10,433	395,704	406,137
Changes of assumptions	624,733	4,719,624	5,344,357
Difference between employer contributions and proportionate share of contributions/ change in proportionate share	194,319	226,062	420,381
Total deferred inflows of resources	\$ 829,485	\$ 5,543,199	\$ 6,372,684

\$203,801 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability/asset in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (219,050)	\$ (823,569)	\$ (1,042,619)
2021	(180,613)	(823,569)	(1,004,182)
2022	(58,892)	(823,569)	(882,461)
2023	(54,453)	(733,704)	(788,157)
2024	(55,174)	(702,179)	(757,353)
Thereafter	(22,621)	(763,819)	(786,440)
Total	\$ (590,803)	\$ (4,670,409)	\$ (5,261,212)

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

*Actuarial Assumptions - SERS*

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

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 OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Investment rate of return	7.50% net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.62%
Prior measurement date	3.56%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.70%
Prior measurement date	3.63%
Medical trend assumption:	
Medicare	5.375 to 4.75%
Pre-Medicare	7.25 to 4.75%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. A municipal bond rate of 3.56% was used as of June 30, 2017. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
District's proportionate share of the net OPEB liability	\$ 8,437,714	\$ 6,953,655	\$ 5,778,559

	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
District's proportionate share of the net OPEB liability	\$ 5,610,324	\$ 6,953,655	\$ 8,732,467

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, compared with July 1, 2017, are presented below:

	July 1, 2018	July 1, 2017
Inflation	2.50%	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%	3.00%
Cost-of-living adjustments (COLA)	0.00%	0.00%, effective July 1, 2017
Discounted rate of return	7.45%	N/A
Blended discount rate of return	N/A	4.13%
Health care cost trends		6 to 11% initial, 4.50% ultimate
	Initial	Ultimate
Medical		
Pre-Medicare	6.00%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

**Assumption Changes Since the Prior Measurement Date** - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

**Benefit Term Changes Since the Prior Measurement Date** - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.90% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation**	Long Term Expected Real Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

\*\* The Target Allocation percentage is effective as of July 1, 2017. Target weights will be phased in over a 24-month period concluding on July 1, 2019.

**Discount Rate** - The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. A discount rate used to measure the total OPEB liability was 4.13% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB asset as of June 30, 2018.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** - The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net OPEB asset	\$ 2,968,752	\$ 3,463,742	\$ 3,879,759
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB asset	\$ 3,856,274	\$ 3,463,742	\$ 3,065,096

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 13 - 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	\$ (471,443)
Net adjustment for revenue accruals	523,739
Net adjustment for expenditure accruals	(291,101)
Net adjustment for other sources/uses	(319,121)
Funds budgeted elsewhere	(45,111)
Adjustment for encumbrances	<u>806,334</u>
GAAP basis	<u>\$ 203,297</u>

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

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2018-2019 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, 2019 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 LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**NOTE 15 - SET-ASIDES**

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

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, 2018	\$ -
Current year set-aside requirement	1,066,994
Current year offsets (tax proceeds)	<u>(1,475,867)</u>
Total	<u>\$ (408,873)</u>
Balance carried forward to fiscal year 2020	<u>\$ -</u>
Set-aside balance June 30, 2019	<u>\$ -</u>

**NOTE 16 - CONTRACTUAL COMMITMENTS**

As of June 30, 2019, the District had the following contractual commitments outstanding:

	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment June 30, 2019</u>
<u>Vendor</u>			
Paladin Protective Systems	\$ 74,978	\$ (29,255)	\$ 45,723
Staley Technologies	75,428	(2,160)	73,268
Weatherproofing Technologies	<u>399,722</u>	<u>-</u>	<u>399,722</u>
Total	<u>\$ 550,128</u>	<u>\$ (31,415)</u>	<u>\$ 518,713</u>

**NOTE 17 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 501,288
Capital projects fund	561
Other governmental	<u>599,682</u>
Total	<u>\$ 1,101,531</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 18 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS**

Jackson Township entered into an Economic Zone agreement with Kenan Advantage Group, Inc. for the abatement of property taxes to bring jobs and economic development into the Township. Under the agreement, the company's property taxes assessed to the District have been abated. During fiscal year 2019, the District's property taxes were reduced by \$15,438.

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON LOCAL SCHOOL DISTRICT  
STARK 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 SIX FISCAL YEARS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.24627440%	0.25289940%	0.24248210%	0.25114870%
District's proportionate share of the net pension liability	\$ 14,104,591	\$ 15,110,180	\$ 17,747,452	\$ 14,330,788
District's covered payroll	\$ 8,126,896	\$ 8,327,721	\$ 7,380,007	\$ 8,031,290
District's proportionate share of the net pension liability as a percentage of its covered payroll	173.55%	181.44%	240.48%	178.44%
Plan fiduciary net position as a percentage of the total pension liability	71.36%	69.50%	62.98%	69.16%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.25527300%	0.25527300%
\$ 12,919,221	\$ 15,180,266
\$ 7,492,662	\$ 7,266,850
172.42%	208.90%
71.70%	65.52%

**JACKSON LOCAL SCHOOL DISTRICT  
STARK 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 SIX FISCAL YEARS			
	2019	2018	2017	2016
District's proportion of the net pension liability	0.21555461%	0.22189835%	0.20964140%	0.20996461%
District's proportionate share of the net pension liability	\$ 47,395,619	\$ 52,712,429	\$ 70,173,296	\$ 58,028,077
District's covered payroll	\$ 24,638,093	\$ 24,603,007	\$ 22,392,107	\$ 22,312,679
District's proportionate share of the net pension liability as a percentage of its covered payroll	192.37%	214.25%	313.38%	260.07%
Plan fiduciary net position as a percentage of the total pension liability	77.31%	75.30%	66.80%	72.10%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>
0.21001479%	0.21001479%
\$ 51,082,865	\$ 60,849,575
\$ 23,108,300	\$ 21,061,631
221.06%	288.91%
74.70%	69.30%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,237,226	\$ 1,097,131	\$ 1,165,881	\$ 1,033,201
Contributions in relation to the contractually required contribution	<u>(1,237,226)</u>	<u>(1,097,131)</u>	<u>(1,165,881)</u>	<u>(1,033,201)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,164,637	\$ 8,126,896	\$ 8,327,721	\$ 7,380,007
Contributions as a percentage of covered payroll	13.50%	13.50%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,058,524	\$ 1,038,483	\$ 1,005,732	\$ 1,060,549	\$ 941,143	\$ 983,344
<u>(1,058,524)</u>	<u>(1,038,483)</u>	<u>(1,005,732)</u>	<u>(1,060,549)</u>	<u>(941,143)</u>	<u>(983,344)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,031,290	\$ 7,492,662	\$ 7,266,850	\$ 7,885,123	\$ 7,487,216	\$ 7,262,511
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,645,453	\$ 3,449,333	\$ 3,444,421	\$ 3,134,895
Contributions in relation to the contractually required contribution	<u>(3,645,453)</u>	<u>(3,449,333)</u>	<u>(3,444,421)</u>	<u>(3,134,895)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 26,038,950	\$ 24,638,093	\$ 24,603,007	\$ 22,392,107
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	14.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 3,123,775	\$ 3,004,079	\$ 2,738,012	\$ 2,977,463	\$ 2,828,903	\$ 2,818,070
<u>(3,123,775)</u>	<u>(3,004,079)</u>	<u>(2,738,012)</u>	<u>(2,977,463)</u>	<u>(2,828,903)</u>	<u>(2,818,070)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,029,038	\$ 23,108,300	\$ 21,061,631	\$ 22,903,562	\$ 21,760,792	\$ 21,677,462
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.25064810%	0.25604810%	0.24562687%
District's proportionate share of the net OPEB liability	\$ 6,953,655	\$ 6,871,658	\$ 7,001,274
District's covered payroll	\$ 8,126,896	\$ 8,327,721	\$ 7,380,007
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.56%	82.52%	94.87%
Plan fiduciary net position as a percentage of the total OPEB liability	13.57%	12.46%	11.49%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST THREE FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability/asset	0.21555461%	0.22189835%	0.20964140%
District's proportionate share of the net OPEB liability/(asset)	\$ (3,463,742)	\$ 8,657,655	\$ 11,211,677
District's covered payroll	\$ 24,638,093	\$ 24,603,007	\$ 22,392,107
District's proportionate share of the net OPEB liability/asset as a percentage of its covered payroll	14.06%	35.19%	50.07%
Plan fiduciary net position as a percentage of the total OPEB liability/asset	176.00%	47.10%	37.30%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the District's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 203,801	\$ 179,610	\$ 136,841	\$ 123,850
Contributions in relation to the contractually required contribution	<u>(203,801)</u>	<u>(179,610)</u>	<u>(136,841)</u>	<u>(123,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,164,637	\$ 8,126,896	\$ 8,327,721	\$ 7,380,007
Contributions as a percentage of covered payroll	2.22%	2.21%	1.64%	1.68%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 190,764	\$ 131,497	\$ 128,208	\$ 154,384	\$ 215,660	\$ 173,425
<u>(190,764)</u>	<u>(131,497)</u>	<u>(128,208)</u>	<u>(154,384)</u>	<u>(215,660)</u>	<u>(173,425)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,031,290	\$ 7,492,662	\$ 7,266,850	\$ 7,885,123	\$ 7,487,216	\$ 7,262,511
2.38%	1.76%	1.76%	1.96%	2.88%	2.39%

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST TEN FISCAL YEARS			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 26,038,950	\$ 24,638,093	\$ 24,603,007	\$ 22,392,107
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION



<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ -	\$ 218,965	\$ 210,616	\$ 229,036	\$ 217,608	\$ 216,775
-	(218,965)	(210,616)	(229,036)	(217,608)	(216,775)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 24,029,038	\$ 23,108,300	\$ 21,061,631	\$ 22,903,562	\$ 21,760,792	\$ 21,677,462
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PENSION

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*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 2014-2017. For fiscal year 2018, SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the changes in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%. There were no changes in benefit terms from the amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement and (h) the discount rate was reduced from 7.75% to 7.50%. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2018-2019.

*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 2014-2017. For fiscal year 2018, STRS decreased the Cost of Living Adjustment (COLA) to zero. There were no changes in benefit terms from amounts previously reported for fiscal year 2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017. For fiscal year 2018, the following changes of assumption affected the total pension liability since the prior measurement date: (a) the long term expected rate of return was reduced from 7.75% to 7.45%, (b) the inflation assumption was lowered from 2.75% to 2.50%, (c) the payroll growth assumption was lowered to 3.00%, (d) total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation (e) the healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016 and (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2019.

(Continued)

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal years 2017-2019.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) rates of withdrawal, retirement, and disability were updated to reflect recent experience, (e) mortality among active members was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following: RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, (g) mortality among disabled members was updated to the following: RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement, (h) the municipal bond index rate increased from 2.92% to 3.56% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 2.98% to 3.63%. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate increased from 3.63% to 3.70%, (b) the health care cost trend rate for Medicare were changed from a range of 5.50%-5.00% to a range of 5.375%-4.75% and Pre-Medicare were changed from a range of 7.50%-5.00% to a range of 7.25%-4.75%, (c) the municipal bond index rate increased from 3.56% to 3.62% and (i) the single equivalent interest rate, net of plan investment expense, including price inflation increased from 3.63% to 3.70%.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

Changes in benefit terms: There were no changes in benefit terms from the amounts previously reported for fiscal year 2017. For fiscal year 2018, STRS reduced the subsidy multiplier for non-Medicare benefit recipients from 2.1% to 1.9% per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. For fiscal year 2019, STRS increased the subsidy multiplier for non-Medicare benefit recipients from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2017. For fiscal year 2018, the following changes of assumption affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.26% to 4.13% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB), (b) the long term expected rate of return was reduced from 7.75% to 7.45%, (c) valuation year per capita health care costs were updated, and the salary scale was modified, (d) the percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased and (e) the assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs. For fiscal year 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and (b) decrease in trend rates from 6.00%-11.00 initial; 4.50% ultimate down to Medical Pre-Medicare 6.00% and Medicare 5.00% initial; 4.00% ultimate and Prescription Drug Pre-Medicare 8.00% and Medicare (5.23%) initial; 4.00% ultimate.

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**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>	<b>Total Federal Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	049858-3L70-2019		\$ 64,434	
National School Lunch Program	10.555	049858-3L60-2019		484,230	\$ 167,041
Total Child Nutrition Cluster				<u>548,664</u>	<u>167,041</u>
Total U.S. Department of Agriculture				<u><b>548,664</b></u>	<u><b>167,041</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	049858-3M00-2018		45,827	
Title I Grants to Local Educational Agencies	84.010	049858-3M00-2019		301,493	
Total Title I Grants to Local Educational Agencies				<u>347,320</u>	
Special Education Cluster:					
Special Education Grants to States	84.027	049858-3M20-2018		91,449	
Special Education Grants to States	84.027	049858-3M20-2019		1,114,458	
Special Education Preschool Grants	84.173	049858-3C50-2019		5,235	
Total Special Education Cluster				<u>1,211,142</u>	
Student Support and Academic Enrichment Program	84.424	049858-3H10-2019		25,013	
English Language Acquisition State Grants	84.365	049858-3Y70-2019	\$ 4,307	14,572	
Improving Teacher Quality State Grants	84.367	049858-3Y60-2019		97,105	
<i>Passed Through Plain Local School District</i>					
Career and Technical Education Basic Grants to States	84.048	N/A		33,390	
Total U.S. Department of Education			<u><b>4,307</b></u>	<u><b>1,728,542</b></u>	
<b>Total Expenditures of Federal Awards</b>			<u><b>\$4,307</b></u>	<u><b>\$2,277,206</b></u>	<u><b>\$167,041</b></u>

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

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Louisville City School District (the District) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE D – SUBRECIPIENTS**

The District passes certain federal awards received from the Ohio Department of Education to other district (subrecipients). As Note B describes, the District reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the District has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

**NOTE E - CHILD NUTRITION CLUSTER**

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

**NOTE F – FOOD DONATION PROGRAM**

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

**NOTE F - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2019 to 2020 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States	84.027A	\$66,936

# OHIO AUDITOR OF STATE KEITH FABER



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Local School District, Stark County, (the District) as of and for the year ended June 30, 2019, 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 20, 2019.

### ***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 report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

December 20, 2019



# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of Education:

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

We have audited the Jackson Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Jackson Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

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

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Jackson Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

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

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

December 20, 2019

**JACKSON LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unmodified
<i>(d)(1)(ii)</i>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Special Education Cluster (CFDA 84.027 and 84.173)
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	Yes

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

None

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

None

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# OHIO AUDITOR OF STATE KEITH FABER



**JACKSON LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 21, 2020**