



Dave Yost • Auditor of State



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Education:

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

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School 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 the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 School 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 School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio, as of June 30, 2016, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund and Jones Trust Fund thereof, for the year then ended in accordance with the accounting basis described in Note 2.

***Accounting Basis***

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

***Other Matters***

*Supplemental Information*

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

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

*Other Information*

We applied no procedures to Management's Discussion and Analysis as listed in the Table of Contents. Accordingly, we express no opinion or any other assurance on them.

***Emphasis of Matter***

As disclosed in Note 19, a Joint Resolution of Intent was agreed upon by the Jackson City School District Board of Education and the Center for Student Achievement Governing Authority which closes the Center permanently at the end of the 2016-2017 school year.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2017, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

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

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

February 16, 2017

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**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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The discussion and analysis of the Jackson City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School 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 School District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2016 are as follows:

- Net position of governmental activities increased \$511,358.
- General receipts accounted for \$23,563,023 in receipts or 78.1 percent of all receipts. Program specific cash receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$6,598,925 or 21.9 percent of total receipts of \$30,161,948.
- The School District had \$29,650,590 in disbursements related to governmental activities; only \$6,598,925 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General receipts (primarily taxes and intergovernmental) of \$23,563,023 were adequate to cover the remaining disbursements.
- The School District's major funds were the General Fund and Jones Trust Special Revenue Fund. The General Fund and Jones Trust Fund experienced increases in fund balances.

### **Using this Annual Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to Jackson City School District's Modified Cash Financial Statements. The School District's financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position – Modified Cash Basis* presents information on all of School District's cash assets, presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the cash position of School District is improving or deteriorating.

The *Statement of Activities – Modified Cash Basis* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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Both of the government-wide financial statements identify functions of School District that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the School District include general operations, food service, preschool, vocational, and student related activities.

In the statement of net position and the statement of activities, the School district is divided into two types of activities:

*Governmental Activities* – Most of the School District's basic services are reported here, including athletics and music. State and federal grants, state foundation receipts, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

*Component Unit* – The School District's financial statements include financial data of the Center for Student Achievement. This component unit is described in the notes to the financial statements.

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

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

***Governmental Funds*** Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a total in a single column. The School District's major funds are the General Fund and the Jones Trust Special Revenue Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

***Fiduciary Funds*** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District has private purpose trust funds and an agency fund.

***Notes to the Financial Statements*** The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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**The School District as a Whole**

As noted earlier, net position – modified cash basis may serve over time as a useful indicator of a government’s financial position. The School District has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Standard No. 34. This statement requires a comparative analysis of government-wide data in the Management Discussion and Analysis (MD&A) section.

Table 1 provides a summary of the School District’s net position – modified cash basis for 2016 compared to 2015:

Table 1  
 Net Position - Modified Cash Basis

	2016	2015	Change
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$22,069,366	\$21,558,008	\$511,358
<b>Net Position</b>			
Restricted for:			
Capital Projects	374,986	842,617	(467,631)
Debt Service	1,705,350	1,498,012	207,338
Food Service	244,392	278,853	(34,461)
Classroom Facilities	798,728	920,711	(121,983)
Athletics	77,083	67,295	9,788
State Grants	415,045	508,820	(93,775)
Federal Grants	433,797	238,332	195,465
Elementary Student Development	2,778,880	2,585,652	193,228
Local Initiatives	49,263	46,637	2,626
Field of Interest Activities	1,623,487	1,595,366	28,121
Endowments:			
Expendable	50,308	49,521	787
Nonexpendable	165,476	165,476	0
Other Purposes	1,056,122	1,210,471	(154,349)
Unrestricted	12,296,449	11,550,245	746,204
<i>Total Net Position</i>	<u>\$22,069,366</u>	<u>\$21,558,008</u>	<u>\$511,358</u>

As noted previously, net position of governmental activities increased \$511,538, which represents a 2.4 percent increase from 2015. The predominant factor for the increase in net position is the decrease in the amount of capital projects in 2016 over 2015.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Table 2  
Changes in Net Position - Modified Cash Basis

<b>Receipts</b>	2016	2015	Change
<b>Program Cash Receipts:</b>			
Charges for Services and Sales	\$2,398,799	\$2,025,735	\$373,064
Operating Grants, Contributions and Interest	4,200,126	4,279,626	(79,500)
Capital Grants, Contributions and Interest	0	20,000	(20,000)
<b>Total Program Cash Receipts</b>	<b>6,598,925</b>	<b>6,325,361</b>	<b>293,564</b>
<b>General Receipts:</b>			
Property Taxes	6,915,301	6,671,707	243,594
Grants and Entitlements	13,978,954	14,053,132	(74,178)
Gifts and Contributions	33,338	70,773	(37,435)
Investment Earnings	130,554	121,309	9,245
Refunding Bonds Issued	2,475,000	0	2,475,000
Proceeds from Sale of Capital Assets	16,000	7,500	8,500
Insurance Recoveries	0	30,731	(30,731)
Miscellaneous	13,876	107,528	(93,652)
<b>Total General Receipts</b>	<b>23,563,023</b>	<b>21,062,680</b>	<b>2,500,343</b>
<b>Total Receipts</b>	<b>30,161,948</b>	<b>27,388,041</b>	<b>2,793,907</b>
<b>Program Disbursements</b>			
<b>Instruction:</b>			
Regular	10,530,735	10,388,796	141,939
Special	4,943,716	4,717,136	226,580
<b>Support Services:</b>			
Pupils	923,496	834,896	88,600
Instructional Staff	405,720	447,850	(42,130)
Board of Education	25,216	33,191	(7,975)
Administration	1,765,771	1,814,157	(48,386)
Fiscal	544,026	729,435	(185,409)
Business	53,607	52,534	1,073
Operation and Maintenance of Plant	2,809,513	2,471,506	338,007
Pupil Transportation	1,852,498	1,417,453	435,045
Central	63,470	59,679	3,791
<b>Operation of Non-Instructional Services:</b>			
Food Service Operations	1,153,598	1,184,794	(31,196)
Other	108,339	30,264	78,075
Extracurricular Activities	825,366	773,240	52,126
Capital Outlay	1,500	0	1,500
<b>Debt Service:</b>			
Principal Retirement	353,978	344,085	9,893
Payment to Refunded Bond Escrow Agent	2,475,000	0	2,475,000
Interest and Fiscal Charges	292,794	286,460	6,334
Issuance Costs	31,225	0	31,225
CAB Accretion	491,022	460,915	30,107
<b>Total Disbursements</b>	<b>29,650,590</b>	<b>26,046,391</b>	<b>3,604,199</b>
<b>Changes in Net Position</b>	<b>511,358</b>	<b>1,341,650</b>	<b>(830,292)</b>
<b>Net Position Beginning of Year</b>	<b>21,558,008</b>	<b>20,216,358</b>	<b>1,341,650</b>
<b>Net Position End of Year</b>	<b>\$22,069,366</b>	<b>\$21,558,008</b>	<b>\$511,358</b>

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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***Governmental Activities***

Program receipts, which are charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational requirements of a particular program, and interest earned on grants that is required to be used to support a particular program, accounted for 21.9 percent of total receipts for governmental activities in fiscal year 2016. Therefore, the programs offered by the School District are primarily financed through general receipts. General receipts are primarily composed of property taxes and grants and entitlements not restricted for a particular program.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall receipts generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase, or even decreases in tax receipts. Property taxes made up 22.9 percent of receipts for governmental activities for Jackson City School District in 2016.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These two receipt sources represent 69.3 percent of total receipts. Grants and entitlements, alone, represent 46.3 percent of general receipts. Charges for services and sales, restricted grants, investment earnings, gifts and donations, proceeds from sale of capital assets, refunding bonds issued, and miscellaneous receipts account for the remaining 30.7 percent of total receipts.

Though net position of the School District experienced an increase in fiscal year 2016, the continuing economic pressures placed upon the School District due to ever changing academic requirements will remain and should not be underestimated. Instructional services of \$15,474,451, and support services of \$8,443,317, accounted for 80.7 percent of total program disbursements. The remaining 19.3 percent of program disbursements are for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, and debt service.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax receipts and unrestricted entitlements.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

Table 3  
Governmental Activities

	2016 Total Cost of Services	2016 Net Cost of Services	2015 Total Cost of Services	2015 Net Cost of Services
<b>Program Disbursements</b>				
Instruction:				
Regular	\$10,530,735	\$8,616,658	\$10,388,796	\$8,656,030
Special	4,943,716	2,099,863	4,717,136	1,858,182
Support Services:				
Pupil	923,496	846,755	834,896	822,236
Instructional Staff	405,720	403,763	447,850	385,153
Board of Education	25,216	25,216	33,191	33,191
Administration	1,765,771	1,759,344	1,814,157	1,814,157
Fiscal	544,026	503,809	729,435	698,675
Business	53,607	52,322	52,534	52,534
Operation and Maintenance of Plant	2,809,513	2,703,240	2,471,506	2,436,160
Pupil Transportation	1,852,498	1,848,268	1,417,453	1,414,700
Central	63,470	60,900	59,679	59,679
Operation of Non-Instructional Services:				
Food Service Operations	1,153,598	62,392	1,184,794	62,075
Other Non-Instructional Services	108,339	15,779	30,264	(92,206)
Extracurricular Activities	825,366	407,837	773,240	429,004
Capital Outlay	1,500	1,500	0	0
Debt Service:				
Principal Payment	353,978	353,978	344,085	344,085
Payment to Refunded Bond Escrow Agent	2,475,000	2,475,000	0	0
Interest and Fiscal Charges	292,794	292,794	286,460	286,460
Issuance Costs	31,225	31,225	0	0
CAB Accretion	491,022	491,022	460,915	460,915
Totals	<u>\$29,650,590</u>	<u>\$23,051,665</u>	<u>\$26,046,391</u>	<u>\$19,721,030</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2016, 65.7 percent of all instructional activities are supported through taxes and other general receipts.

### **The School District Funds**

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$27,670,948 and disbursements of \$27,175,590. The General Fund had an increase in fund balance of \$746,204. The fund balance of the Jones Trust Fund increased \$193,228.

### **General Fund Budgeting Highlights**

The School 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.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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During the course of fiscal 2016, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Final estimated receipts of \$22,102,365 were above original estimated receipts of \$21,668,953. Budget basis receipts varied slightly from the final estimates. Final appropriations of \$22,007,029 were above original appropriations of \$21,308,990. Budget basis expenditures varied slightly from the final estimates. The School District's ending unobligated General Fund balance was \$10,958,422.

**Debt Administration**

At June 30, 2016, the School District had the following debt outstanding:

Table 4  
 Outstanding Debt, at Fiscal Year End

	2016	2015 (Restated)
2001 Classroom Facilities Capital Appreciation Bonds:		
Capital Appreciation	\$0	\$33,978
Accretion on Capital Appreciation	0	443,725
2005 Classroom Facilities Refunding Bonds:		
Serial	0	140,000
Term	0	2,475,000
Capital Appreciation	415,000	415,000
Accretion on Capital Appreciation	1,318,362	1,102,144
2013 Classroom Facilities Refunding Bonds:		
Serial	5,950,000	6,075,000
Capital Appreciation	249,992	249,992
Accretion on Capital Appreciation	276,541	162,153
2015 Classroom Facilities Refunding Bonds:		
Serial	2,465,000	0
2013 Energy Conservation Refunding Bonds	514,000	559,000
Totals	<u>\$11,188,895</u>	<u>\$11,655,992</u>

For additional information on debt, see Note 17 to the basic financial statements.

**Current Issues**

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Due to slow economic growth, the School District does not foresee any sustainable growth in revenue from property taxes.

**Jackson City School District, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2016*  
*Unaudited*

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Thus management must diligently plan expenses from the modest growth attained, staying carefully within its five-year forecast. Additional receipts from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (50.5 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment, a district's property tax wealth, median income, federal adjusted gross income, and state economic disadvantage percentage. The School District has seen a slight increase in student enrollment in recent years and while State revenue growth has shifted toward school districts with low property tax wealth, recent property tax revaluations has reduced the School District's funding from the State Foundation charge off supplement and has served to somewhat offset the other increases in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher insurance costs, increased personal service costs, and higher fuel costs).

As the preceding information shows, the School District depends upon its taxpayers. Although the Jackson City School District has continued to keep spending in line with receipts, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rachel King, Treasurer at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.



**Jackson City School District, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*June 30, 2016*

	Primary Government	Component Unit
	Governmental Activities	Center for Student Achievement
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$22,069,366	\$183,318
<b>Net Position</b>		
Restricted for:		
Capital Projects	374,986	0
Debt Service	1,705,350	0
Food Service	244,392	0
Classroom Facilities	798,728	0
Athletics	77,083	0
State Grants	415,045	0
Federal Grants	433,797	0
Elementary Student Development	2,778,880	0
Local Initiatives	49,263	0
Field of Interest Activities	1,623,487	0
Endowments:		
Expendable	50,308	0
Nonexpendable	165,476	0
Other Purposes	1,056,122	0
Unrestricted	12,296,449	183,318
<i>Total Net Position</i>	\$22,069,366	\$183,318

See accompanying notes to the basic financial statements.

**Jackson Local School District, Ohio**  
*Statement of Activities - Modified Cash Basis*  
*For the Fiscal Year Ended June 30, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Primary Government Governmental Activities	Component Unit Center for Student Achievement
<b>Governmental Activities</b>					
Instruction:					
Regular	\$10,530,735	\$1,492,720	\$421,357	(\$8,616,658)	\$0
Special	4,943,716	31,687	2,812,166	(2,099,863)	0
Support Services:					
Pupils	923,496	0	76,741	(846,755)	0
Instructional Staff	405,720	0	1,957	(403,763)	0
Board of Education	25,216	0	0	(25,216)	0
Administration	1,765,771	0	6,427	(1,759,344)	0
Fiscal	544,026	0	40,217	(503,809)	0
Business	53,607	0	1,285	(52,322)	0
Operation and Maintenance of Plant	2,809,513	78,511	27,762	(2,703,240)	0
Pupil Transportation	1,852,498	0	4,230	(1,848,268)	0
Central	63,470	0	2,570	(60,900)	0
Operation of Non-Instructional Services:					
Food Service Operations	1,153,598	356,209	734,997	(62,392)	0
Other Non-Instructional Services	108,339	37,837	54,723	(15,779)	0
Extracurricular Activities	825,366	401,835	15,694	(407,837)	0
Capital Outlay	1,500	0	0	(1,500)	0
Debt Service:					
Principal	353,978	0	0	(353,978)	0
Payment to Refunded Bond Escrow Agent	2,475,000	0	0	(2,475,000)	0
Interest and Fiscal Charges	292,794	0	0	(292,794)	0
Issuance Costs	31,225	0	0	(31,225)	0
CAB Accretion	491,022	0	0	(491,022)	0
<i>Total Primary Government</i>	<u>\$29,650,590</u>	<u>\$2,398,799</u>	<u>\$4,200,126</u>	<u>(23,051,665)</u>	<u>0</u>
<b>Component Unit</b>					
Center for Student Achievement	<u>\$465,405</u>	<u>\$0</u>	<u>\$374,843</u>	<u>0</u>	<u>(90,562)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes				5,246,489	0
Debt Service				1,079,425	0
Capital Outlay				589,387	0
Operating Grants and Entitlements not Restricted to Specific Programs				13,978,954	0
Gifts and Contributions not Restricted to Specific Programs				33,338	0
Investment Earnings				130,554	0
Proceeds from Sale of Capital Assets				16,000	0
Refunding Bonds Issued				2,475,000	0
Miscellaneous				13,876	0
<i>Total General Receipts</i>				<u>23,563,023</u>	<u>0</u>
<i>Change in Net Position</i>				511,358	(90,562)
<i>Net Position Beginning of Year</i>				<u>21,558,008</u>	<u>273,880</u>
<i>Net Position End of Year</i>				<u>\$22,069,366</u>	<u>\$183,318</u>

See accompanying notes to the basic financial statements.

**Jackson City School District, Ohio**  
*Statement of Modified Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2016*

	General	Jones Trust	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,885,072	\$2,778,880	\$7,405,414	\$22,069,366
<b>Fund Balances</b>				
Nonspendable	0	0	165,476	165,476
Restricted	0	2,778,880	6,828,561	9,607,441
Committed	927,990	0	411,377	1,339,367
Assigned	1,164,594	0	0	1,164,594
Unassigned	9,792,488	0	0	9,792,488
<i>Total Fund Balances</i>	\$11,885,072	\$2,778,880	\$7,405,414	\$22,069,366

See accompanying notes to the basic financial statements.

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes in Modified Cash Basis Fund Balances*  
 Governmental Funds  
 For the Fiscal Year Ended June 30, 2016

	General	Jones Trust	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Taxes	\$5,246,489	\$0	\$1,668,812	\$6,915,301
Intergovernmental	15,168,359	0	2,719,028	17,887,387
Investment Earnings	105,916	21,388	39,140	166,444
Tuition and Fees	1,553,996	0	0	1,553,996
Extracurricular Activities	70,501	0	390,765	461,266
Charges for Services	0	0	356,209	356,209
Gifts and Contributions	0	222,985	66,156	289,141
Rent	26,593	0	735	27,328
Miscellaneous	7,889	0	5,987	13,876
<i>Total Receipts</i>	<u>22,179,743</u>	<u>244,373</u>	<u>5,246,832</u>	<u>27,670,948</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	10,097,211	47,110	386,414	10,530,735
Special	3,527,742	0	1,415,974	4,943,716
Support Services:				
Pupils	899,914	269	23,313	923,496
Instructional Staff	402,962	0	2,758	405,720
Board of Education	25,216	0	0	25,216
Administration	1,764,426	1,345	0	1,765,771
Fiscal	433,180	1,076	109,770	544,026
Business	43,069	269	10,269	53,607
Operation and Maintenance of Plant	2,148,796	269	660,717	2,809,782
Pupil Transportation	1,434,979	0	417,250	1,852,229
Central	62,932	538	0	63,470
Operation of Non-Instructional Services:				
Food Service	0	0	1,153,598	1,153,598
Other Non-Instructional Services	27,128	269	80,942	108,339
Extracurricular Activities	480,652	0	344,714	825,366
Capital Outlay	0	0	1,500	1,500
Debt Service:				
Principal Retirement	0	0	353,978	353,978
Interest and Fiscal Charges	0	0	292,794	292,794
Issuance Costs	0	0	31,225	31,225
CAB Accretion	0	0	491,022	491,022
<i>Total Disbursements</i>	<u>21,348,207</u>	<u>51,145</u>	<u>5,776,238</u>	<u>27,175,590</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>831,536</u>	<u>193,228</u>	<u>(529,406)</u>	<u>495,358</u>
<b>Other Financing Sources (Uses)</b>				
Refunding Bonds Issued	0	0	2,475,000	2,475,000
Payment to Refunded Bond Escrow Agent	0	0	(2,475,000)	(2,475,000)
Proceeds from Sale of Capital Assets	16,000	0	0	16,000
Advances In	141,317	0	248,149	389,466
Advances Out	(238,149)	0	(151,317)	(389,466)
Transfers In	0	0	450,123	450,123
Transfers Out	(4,500)	0	(445,623)	(450,123)
<i>Total Other Financing Sources (Uses)</i>	<u>(85,332)</u>	<u>0</u>	<u>101,332</u>	<u>16,000</u>
<i>Net Change in Fund Balance</i>	746,204	193,228	(428,074)	511,358
<i>Fund Balances Beginning of Year</i>	<u>11,138,868</u>	<u>2,585,652</u>	<u>7,833,488</u>	<u>21,558,008</u>
<i>Fund Balances End of Year</i>	<u>\$11,885,072</u>	<u>\$2,778,880</u>	<u>\$7,405,414</u>	<u>\$22,069,366</u>

See accompanying notes to the financial statements.

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2016*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Taxes	\$5,050,687	\$5,246,489	\$5,246,489	\$0
Intergovernmental	15,209,429	15,168,359	15,168,359	0
Investment Earnings	103,654	105,482	116,233	10,751
Tuition and Fees	1,243,538	1,513,892	1,513,892	0
Extracurricular Activities	20,939	34,967	34,967	0
Rent	31,071	26,593	26,593	0
Miscellaneous	9,635	6,583	7,255	672
<i>Total Receipts</i>	<u>21,668,953</u>	<u>22,102,365</u>	<u>22,113,788</u>	<u>11,423</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	9,863,451	10,148,493	10,148,414	79
Special	3,167,818	3,569,429	3,569,858	(429)
Support Services:				
Pupils	812,461	902,962	902,965	(3)
Instructional Staff	417,056	406,862	406,862	0
Board of Education	33,191	25,970	25,970	0
Administration	1,814,307	1,771,224	1,771,222	2
Fiscal	624,978	436,101	436,103	(2)
Business	35,821	44,318	44,318	0
Operation and Maintenance of Plant	2,483,321	2,533,245	2,533,967	(722)
Pupil Transportation	1,552,973	1,625,151	1,625,184	(33)
Central	59,679	80,215	80,214	1
Operation of Non-Instructional Services	2,070	3,753	3,753	0
Extracurricular Activities	441,864	459,306	459,311	(5)
<i>Total Disbursements</i>	<u>21,308,990</u>	<u>22,007,029</u>	<u>22,008,141</u>	<u>(1,112)</u>
<i>Excess of Receipts Over Disbursements</i>	<u>359,963</u>	<u>95,336</u>	<u>105,647</u>	<u>10,311</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	5,000	16,000	16,000	0
Refund of Prior Year Disbursements	76,272	709	709	0
Refund of Prior Year Receipts	(72,332)	0	0	0
Insurance Recoveries	30,731	0	0	0
Transfers Out	0	(4,500)	(4,500)	0
Advances In	136,469	141,317	141,317	0
Advances Out	(141,317)	(238,149)	(238,149)	0
<i>Total Other Financing Sources (Uses)</i>	<u>34,823</u>	<u>(84,623)</u>	<u>(84,623)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	394,786	10,713	21,024	10,311
<i>Fund Balance Beginning of Year</i>	10,404,575	10,404,575	10,404,575	0
Prior Year Encumbrances Appropriated	<u>532,823</u>	<u>532,823</u>	<u>532,823</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$11,332,184</u>	<u>\$10,948,111</u>	<u>\$10,958,422</u>	<u>\$10,311</u>

See accompanying notes to the basic financial statements.

**Jackson City School District, Ohio**  
*Statement of Cash Receipts, Cash Disbursements and Changes  
in Cash Basis Fund Balance - Budget and Actual (Budget Basis)*  
*Jones Trust Fund*  
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Investment Earnings	\$19,758	\$21,224	\$23,092	\$1,868
Gifts and Contributions	220,126	222,985	222,985	0
<i>Total Receipts</i>	<u>239,884</u>	<u>244,209</u>	<u>246,077</u>	<u>1,868</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	49,708	47,110	47,110	0
Support Services:				
Pupils	0	269	269	0
Administration	0	1,345	1,345	0
Fiscal	0	1,076	1,076	0
Business	0	269	269	0
Pupil Transportation	1,552,973	269	269	0
Central	59,679	538	538	0
Operation of Non-Instructional Services	2,070	269	269	0
<i>Total Disbursements</i>	<u>1,664,430</u>	<u>51,145</u>	<u>51,145</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,424,546)	193,064	194,932	1,868
<i>Fund Balance Beginning of Year</i>	<u>2,583,948</u>	<u>2,583,948</u>	<u>2,583,948</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,159,402</u>	<u>\$2,777,012</u>	<u>\$2,778,880</u>	<u>\$1,868</u>

See accompanying notes to the basic financial statements.

**Jackson City School District, Ohio**  
*Statement of Net Position - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2016*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$1,671,954	\$97,155
<b>Net Position</b>		
Endowments	824,702	0
Held in Trust for Scholarships	847,252	0
Restricted for Students	0	97,155
Total Net Position	\$1,671,954	\$97,155

See accompanying notes to the basic financial statements.

**Jackson City School District, Ohio**  
*Statement of Changes in Net Position - Modified Cash Basis*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2016*

	<u>Scholarships</u>
<b>Additions</b>	
Investment Earnings	\$13,097
Gifts and Contributions	1,175
Miscellaneous	350
<i>Total Additions</i>	14,622
<b>Deductions</b>	
Scholarships	15,000
<i>Change in Net Position</i>	(378)
<i>Net Position Beginning of Year</i>	1,672,332
<i>Net Position End of Year</i>	\$1,671,954

See accompanying notes to the basic financial statements.



**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 1 - Description of the School District and Reporting Entity**

Jackson City School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 145 classified employees and 213 certified teaching and administrative personnel who provide services to 2,373 students and other community members.

***Reporting Entity***

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Jackson City School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has one component unit, the Center for Student Achievement (The Center).

The component unit column on the statement of net position – cash basis and the statement of activities – cash basis identifies the financial data of the School District's component unit, the Center for Student Achievement (the Center). It is reported separately to emphasize that it is legally separate from the School District.

The Center is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Center is governed by a seven member Board of Directors appointed by the Superintendent of the Jackson City School District. The School District is able to impose its will on the Center.

The School District participates in the Metropolitan Educational Technology Association, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition and Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 13 and 14.

**Note 2 - Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP).

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** The statement of net position – cash basis and the statement of activities – cash basis display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net position – cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the general receipts of the School District.

**Fund Financial Statements** During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental, proprietary, or fiduciary.

**Governmental Funds** The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

**General Fund** The General Fund accounts for and reports all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose, provided it is expended and transferred according to the general laws of Ohio.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Jones Trust Special Revenue Fund*** The Jones Trust Special Revenue Fund is used to account for the proceeds of a gift bestowed upon the School District from Robert F. Jones. The endowment is maintained by and on deposit at PNC Bank, which makes all investment decisions on behalf of the School District. The interest and contributions can be used by the School District for educational related activities of the School District's elementary schools.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

***Proprietary Fund Type*** Proprietary fund reporting focuses on the determination the changes in net position and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

***Fiduciary Fund Type*** 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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds include private-purpose trust funds, which account for student college scholarships, and agency funds, which account for student activities.

***C. Basis of Accounting***

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for good and services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

***D. Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

***E. Cash and Cash Equivalents and Investments***

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool except the monies of the Columbus Foundation Fund. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During 2016, investments were limited to STAR Ohio. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2016.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund; the Food Service, Special Trust, Jones Trust, Columbus Foundation, and Classroom Maintenance Special Revenue Funds; the Bond Retirement Debt Service Fund; the Permanent Improvement Capital Projects Fund; and the Lloyd Trust and Eisnagle Memorial Music Trust Permanent Funds. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$105,916, which includes \$50,751 assigned from other School District funds.

***F. Inventory and Prepaid Items***

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

***G. Capital Assets***

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

## **Note 2 - Summary of Significant Accounting Policies (Continued)**

### ***H. Interfund Receivables/Payables***

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

### ***I. Accumulated Leave***

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

### ***J. Pensions***

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

### ***K. Long-term Obligations***

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt and premiums are reported when cash is received and principal, interest payments, and issuance costs are reported when paid.

### ***L. Net Position***

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for informal trusts fund agreements.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

### ***M. Fund Balance***

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

**Nonspendable:** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education or a School District official delegated that authority by resolution or State Statute.

**Unassigned:** The unassigned fund balance is the residual classification for the General Fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report deficit balances.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are 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 the amounts in any of the unrestricted fund balance classifications can be used.

***N. Interfund Transactions***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated. Internal allocations of overhead disbursements from one program to another or within the same program are eliminated on the Statement of Activities. Payments of interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 - Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 3 - Fund Balances (Continued)**

Fund Balances	General	Jones Trust	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Endowments	\$0	\$0	\$165,476	\$165,476
<u>Restricted for:</u>				
Local Grant Expenditures	0	0	1,672,750	1,672,750
State Grant Expenditures	0	0	415,045	415,045
Federal Grant Expenditures	0	0	433,797	433,797
Food Service Operations	0	0	244,392	244,392
Music and Athletic Programs	0	0	82,229	82,229
Trust Fund Expenditures	0	2,778,880	1,101,284	3,880,164
Debt Service Payments	0	0	1,705,350	1,705,350
Capital Improvements	0	0	1,173,714	1,173,714
<i>Total Restricted</i>	<u>0</u>	<u>2,778,880</u>	<u>6,828,561</u>	<u>9,607,441</u>
<u>Committed to:</u>				
Employee Benefits	552,654	0	0	552,654
Severance	370,000	0	0	370,000
Equipment	5,336	0	0	5,336
Sale of Manpower Site	0	0	344,214	344,214
Athletic Facility Equipment	0	0	67,163	67,163
<i>Total Committed</i>	<u>927,990</u>	<u>0</u>	<u>411,377</u>	<u>1,339,367</u>
<u>Assigned to:</u>				
Purchases on Order	687,459	0	0	687,459
School Support	477,135	0	0	477,135
<i>Total Assigned</i>	<u>1,164,594</u>	<u>0</u>	<u>0</u>	<u>1,164,594</u>
Unassigned:	9,792,488	0	0	9,792,488
<i>Total Fund Balances</i>	<u>\$11,885,072</u>	<u>\$2,778,880</u>	<u>\$7,405,414</u>	<u>\$22,069,366</u>

**Note 4 - Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) presented for the General and Jones Trust Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (cash basis).
2. Unrecorded items are reported on the balance sheet (cash basis), but not on the budgetary basis.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 4 - Budgetary Basis of Accounting (Continued)**

3. Budgetary receipts and disbursements of the public school support fund and uniform school supplies fund are reclassified to the General Fund for reporting.

Net Change in Fund Balance

	General	Jones Trust
Cash Basis	\$746,204	\$193,228
Unreported Items:		
Beginning of Fiscal Year	10,394	1,704
End of Fiscal Year	(2)	0
To reclassify excess of receipts over disbursements into financial statement fund types	(20,164)	0
Encumbrances	(715,408)	0
Budget Basis	\$21,024	\$194,932

**Note 5 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 held by the School District can 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 obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debenture, 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;



**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 5 - Deposits and Investments (Continued)**

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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 School 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.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$23,225,991 of the School District's bank balance of \$23,831,845 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments** As of June 30, 2016, the School District only had an investment of \$146 in STAR Ohio, the State Treasurer's Investment Pool, with an average maturity of 48.6 days.

**Credit Risk** STAR Ohio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has an investment policy, but the policy does not limit investment choices further than State law.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 5 - Deposits and Investments (Continued)**

**Interest Rate Risk** The School District’s investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Note 6 - Property Taxes**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed value listed as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2016 represents collections of calendar year 2015 taxes. Public utility real property taxes received in calendar year 2016 became a lien December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	<u>2015 Second- Half Collections</u>		<u>2016 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$208,161,610	74.50%	\$208,423,980	74.20%
Commerical/Industrial and Public Utility Real	56,560,020	20.24%	57,185,760	20.36%
Public Utility Personal	14,701,420	5.26%	15,271,080	5.44%
	<u>\$279,423,050</u>	<u>100.00%</u>	<u>\$280,880,820</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$30.07		\$30.07

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 7 - Significant Commitments**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental fund encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$715,408
Nonmajor Funds	<u>240,180</u>
Total	<u>\$955,588</u>

**Note 8 - Defined Benefit Pension Plans**

***Net Pension Liability***

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

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School 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.

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

Plan Description – School 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.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 8 - Defined Benefit Pension Plans (Continued)**

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

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

The School District's contractually required contribution to SERS was \$401,654 for fiscal year 2016.

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

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

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 8 - 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11 percent of the 12 percent member rate goes to the DC Plan and 1 percent goes 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 services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased one percent to 14 percent.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 8 - Defined Benefit Pension Plans (Continued)**

The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,236,576, for fiscal year 2016.

***Net Pension Liability***

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.10900000%	0.09737000%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.11105100%</u>	<u>0.09839542%</u>	
Change in Proportionate Share	<u>0.00205100%</u>	<u>0.00102542%</u>	
Proportionate Share of the Net Pension Liability	\$6,336,678	\$27,193,616	\$33,530,294

***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, 2015, are presented below:

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 8 - Defined Benefit Pension Plans (Continued)**

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

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

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 8 - Defined Benefit Pension Plans (Continued)**

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$8,786,695	\$6,336,678	\$4,273,561

***Actuarial Assumptions - STRS***

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

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

STRS' investment consultant develops best estimates 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	10 Year Expected Nominal Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

\* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.



**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 8 - Defined Benefit Pension Plans (Continued)**

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$37,773,984	\$27,193,616	\$18,246,337

**Note 9 - Postemployment Benefits**

**School Employees Retirement System**

**Health Care Plan Description** - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit

(OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 9 - Postemployment Benefits (Continued)**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District's surcharge obligation was \$55,550.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$27,414, and \$56,167, respectively. The full amount has been contributed for all three fiscal years.

***State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS Ohio) administers a cost-sharing multiple-employer defined benefit Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio 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 Ohio 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 Ohio. 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. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care. For the fiscal year ended June 30, 2014, one percent of covered payroll was allocated to post-employment health care.

The School District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were \$0, \$0, and \$101,734 respectively. The full amount has been contributed for 2016, 2015, and 2014.

**Note 10 - Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn between ten and twenty days of vacation leave per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 10 - Employee Benefits (Continued)**

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers and administrators are limited to a total accumulation of 339 days; classified employees are limited to a total accumulation of 260 days. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 65 days for classified employees.

***B. Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$50,000.

Health insurance is provided by Anthem Blue Cross/Blue Shield. Monthly premiums for this coverage are \$1,602.32 for family plans and \$630.84 for single plans. The School District pays 95 percent for both family and single coverage premiums. Dental insurance is also provided by Anthem Blue Cross/Blue Shield. Monthly premiums for this coverage are \$57.43 for family plans and \$21.52 for single plans. The School District pays 100 percent of the dental premiums.

**Note 11 - Termination Benefits**

The School District offers an early retirement incentive program, whereby any full-time certified employee who has completed or attained 30 years of service credit and is eligible for retirement under the State Teachers Retirement System are eligible to receive 33 percent of accumulated, unused sick leave up to a maximum of 112.9 days.

**Note 12 - Risk Management**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2016, the School District contracted with Liberty Mutual Insurance through Reed and Baur Insurance Agency for the following coverage:

**Jackson City School District, Ohio**  
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*For the Fiscal Year Ended June 30, 2016*

**Note 12 - Risk Management (Continued)**

Property	Limits of Coverage
Building and Contents - Replacement Cost (\$2,500 deductible)	\$104,078,739
General Liability	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Damage to Premises Rented	300,000
Earthquake (5% deductible)	5,000,000
Errors and Omissions (\$5,000 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000
Employers' Liability	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Aggregate Limit	2,000,000
Employee Benefits Liability (\$1,000 deductible)	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Automobile Insurance (\$1,000 Comprehensive/ \$1,000 Collision)	
Each Occurrence	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2015.

***B. Workers' Compensation***

For fiscal year 2016, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

**Note 13 - Jointly Governed Organizations**

***A. Metropolitan Educational Technology Association (META)***

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC) during fiscal year 2016, which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 13 - Jointly Governed Organizations (Continued)**

META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2016, the School District paid \$33,003 for services with META/MEC/SEOVEC. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

***B. Gallia-Jackson-Vinton Joint Vocational School District***

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Donalyn Smith who serves as Treasurer, 351 Buckeye Hills Road, Rio Grande, Ohio, 45674.

***C. Coalition of Rural and Appalachian Schools***

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2016, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

**Note 14 - Insurance Purchasing Pool**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 15 - Interfund Activity and Balances**

**A. Transfers**

Interfund transfers for the fiscal year ended June 30, 2016, consisted of the following:

	Transfer In	Transfer Out
General Fund	\$0	\$4,500
Other Governmental Funds:		
Bond Retirement	182,145	0
Permanent Improvement	0	445,623
Special Trusts	131,618	0
Classroom Mainenance	131,860	0
Athletics	4,500	0
Total Other Governmental Funds	450,123	445,623
Total All Funds	\$450,123	\$450,123

Transfers were made for debt payments and construction projects.

**B. Interfund Balances**

Unpaid interfund cash advances at June 30, 2016, were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$238,149	\$0
Other Governmental Funds:		
Permanent Improvements	10,000	0
Food Service	0	27,931
Special Trust	0	10,000
Title VI-B	0	47,323
Title I	0	149,439
Early Childhood	0	2,426
Title II-A	0	5,860
Miscellaneous Federal Grants	0	5,170
Total Governmental Funds	10,000	248,149
Total All Funds	\$248,149	\$248,149

The interfund balances result from the provision of cash flow resources from the General Fund until the receipt of grant monies by the grant funds. There was also an advance from the Permanent Improvement Fund to the Special Trust Fund, which will be repaid over a period of 3 years.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 16 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

***B. Litigation***

The School District is currently not party to any legal proceedings.

***C. Foundation***

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2015, traditional school 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 School District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016, Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time.

**Note 17 - Long Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2016 were as follows:

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2016

**Note 17 - Long Term Obligations (Continued)**

	Principal Outstanding 6/30/15 (Restated)	Additions	Reductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<b>Governmental Activities:</b>					
2001 Classroom Facilities					
Capital Appreciation Bonds	\$33,978	\$0	\$33,978	\$0	\$0
Accretion on Capital Appreciation Bonds	443,725	47,297	491,022	0	0
2005 Classroom Facilities					
Refunding Bonds:					
Serial - 3.75%	140,000	0	140,000	0	0
Term - 4.25%	2,475,000	0	2,475,000	0	0
Capital Appreciation Accretion on Capital Appreciation Bonds	415,000	0	0	415,000	150,000
	1,102,144	216,218	0	1,318,362	530,025
2013 Classroom Facilities					
Refunding Bonds:					
Serial - .40%-3.20%	6,075,000	0	125,000	5,950,000	130,000
Capital Appreciation Accretion on Capital Appreciation Bonds	249,992	0	0	249,992	0
	162,153	114,388	0	276,541	0
2015 Classroom Facilities					
Refunding Bonds:					
Serial - 3.67%	0	2,475,000	10,000	2,465,000	10,000
2013 2.35% Energy Conservation					
Refunding Bonds	559,000	0	45,000	514,000	46,000
<b>Total Governmental Activities</b>					
Long-Term Obligations	<u>\$11,655,992</u>	<u>\$2,852,903</u>	<u>\$3,320,000</u>	<u>\$11,188,895</u>	<u>\$866,025</u>

**2001 Classroom Facilities General Obligation Bonds** On May 20, 2001, the School District issued \$13,384,058 in voted general obligation bonds to pay the local share of the school construction under the State of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$6,510,000, \$6,700,000, and \$174,058, respectively. During fiscal year 2005, the School District advance refunded \$10,445,000 of the serial and term bonds. The remaining outstanding bonds were being retired from the Debt Service Fund.

As a requirement of the bonds, the School District was required to pass a 5.8 mill levy. 5.3 mills were used to repay the debt issue which provided the matching funds required of the School District. The remaining .5 mills are used for facilities maintenance.

The capital appreciation bonds for the 2001 issue mature (matured) December 1, 2012, through December 1, 2015. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest was paid and the bond holder received the face value of the bond. As the value of the bond increased, the accretion was reflected as a principal liability. The maturity amount of the remaining bonds was \$1,025,000. Accretion for fiscal year 2016 was \$47,297.



**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 17 - Long Term Obligations (Continued)**

**2005 Classroom Facilities Refunding Bonds** On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds to partially retire the 2001 Classroom Facilities General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2027. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$7,555,000, \$2,475,000, and \$415,000, respectively. At the date of the refunding, \$11,312,028 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2001 Classroom Facilities General Obligation Bonds. As all the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. The irrevocable trust made the final payment on the refunded 2001 Classroom Facilities General Obligation Bonds on June 1, 2011, and the account was closed.

The capital appreciation bonds for the 2005 issue mature December 1, 2016, through December 1, 2018. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$2,110,000. Accretion for fiscal year 2016 was \$216,218.

During fiscal year 2014, the serial bonds were partially refunded. During fiscal year 2016, the remaining term bonds were refunded. Principal and interest requirements to retire the remaining 2005 Classroom Facilities Refunding Bonds outstanding at June 30, 2016, are as follows:

Fiscal Year	<u>Capital Appreciation</u>	
Ending June 30,	<u>Principal</u>	<u>Accretion</u>
2017	\$150,000	\$530,025
2018	135,000	555,008
2019	130,000	610,024
	<u>\$415,000</u>	<u>\$1,695,057</u>

**2013 Classroom Facilities Refunding Bonds** On May 16, 2013, the School District issued \$6,504,992 of Classroom Facilities Refunding Bonds to partially advance refund the 2005 Classroom Facilities General Obligation Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2025. The bond issue included serial and capital appreciation bonds in the amounts of \$6,255,000 and \$249,992, respectively. At the date of the refunding, \$7,386,833 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2005 bonds.

The capital appreciation bonds for the 2013 issue mature December 1, 2019, through December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$1,340,000. Accretion for fiscal year 2016 was \$114,388.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 17 - Long Term Obligations (Continued)**

Principal and interest requirements to retire the 2013 Classroom Facilities Refunding Bonds outstanding at June 30, 2016, are as follows:

Fiscal Year Ending June 30,	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2017	\$130,000	\$157,990	\$0	\$0	\$130,000	\$157,990
2018	130,000	156,592	0	0	130,000	156,592
2019	130,000	154,838	0	0	130,000	154,838
2020	178,257	0	0	0	178,257	0
2021	511,735	0	0	0	511,735	0
2022-2026	4,870,008	0	249,992	1,090,008	5,120,000	1,090,008
	<u>\$5,950,000</u>	<u>\$469,420</u>	<u>\$249,992</u>	<u>\$1,090,008</u>	<u>\$6,199,992</u>	<u>\$1,559,428</u>

**2015 Classroom Facilities Refunding Bonds** On September 9, 2015, the School District issued \$2,475,000 of Classroom Facilities Refunding Bonds to partially refund the 2005 Classroom Facilities General Obligation Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2027. The bond issue included serial bonds in the amount of \$2,475,000. The School District decreased its aggregated debt service payments by \$89,207 over the next 12 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$80,518.

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$10,000	\$90,282	\$100,282
2018	10,000	89,915	99,915
2019	10,000	89,548	99,548
2020	10,000	89,181	99,181
2021	10,000	88,814	98,814
2022-2026	50,000	438,565	488,565
2027-2028	2,365,000	88,172	2,453,172
	<u>\$2,465,000</u>	<u>\$974,477</u>	<u>\$3,439,477</u>

**House Bill 264 Energy Conservation Tax Anticipation Notes** The School District issued House Bill Energy Conservation Tax Anticipation Notes in the amount of \$703,220 for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The notes were issued on July 27, 2011, and are backed by the full faith and credit of the School District. The School District is required to make semiannual payments of interest and annual payment of principal with final maturity on December 1, 2026. These notes were refunded on July 15, 2013, with refunding bonds for a savings of \$80,175.

Principal and interest requirements to retire the Energy Conservation Tax Anticipation Bonds outstanding at June 30, 2016, are as follows:

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 17 - Long Term Obligations (Continued)**

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$46,000	\$11,539	\$57,539
2018	48,000	10,434	58,434
2019	48,000	9,306	57,306
2020	49,000	8,166	57,166
2021	50,000	7,003	57,003
2022-2026	273,000	16,442	289,442
	<u>\$514,000</u>	<u>\$62,890</u>	<u>\$576,890</u>

The overall debt margin of the School District as of June 30, 2016, was \$17,904,632, with an unvoted debt margin of \$280,881.

**Note 18 - Set-Aside Calculations**

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years. In prior fiscal years, the School District was also required to set-aside money for textbooks.

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

	<u>Capital Improvements</u>
Set-aside Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	430,191
Offsetting Credits	(589,387)
Qualifying Disbursements	(14,427)
Total	<u>(\$173,623)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

**Note 19 - Center for Student Achievement**

**A. Description of the School**

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 - Center for Student Achievement (Continued)**

The Center's mission is to serve K through 12 students who may be underperforming or are not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schoolers, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, the sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005, by entering a three year contract with the Jackson City School District (the Sponsor). A contract was entered into on June 24, 2008, which extended service through June 30, 2013. On May 7, 2013, a new contract was entered into, which extends service through June 30, 2018. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center and one or more parents and community civic leaders. The Sponsor appoints a majority of the Board and is able to impose its will on the Center. The Sponsor can suspend the Center's operations for any of the following reasons: 1.) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2.) The Center's failure to meet generally accepted standards of fiscal management, 3.) The Center's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4.) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the children it serves.

***B. Summary of Significant Accounting Policies***

The financial statements of the Center are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). General accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Center's accounting policies.

***Basis of Presentation*** The Center's basic financial statements consist of a statement of net position; a statement of receipts, disbursements and changes in net position; and a statement of cash flows.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

***Measurement Focus and Basis of Accounting*** The enterprise activity is accounted for using a flow of economic resources measurement focus. Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 - Center for Student Achievement (Continued)**

Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

***Budgetary Process*** Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code § 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code § 5705.

***Cash and Cash Equivalents*** Cash received by the Center is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. The Center had no investments during the fiscal year ended June 30, 2016.

***Capital Assets*** Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the Center's financial statements.

***Net Position*** Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

***Operating Receipts and Disbursements*** Operating receipts are those receipts that are generated directly from the primary activity of the Center. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Center. All receipts and disbursements not meeting this definition are reported as non-operating.

***C. Deposits***

Monies held by the Center are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center 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 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.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 - Center for Student Achievement (Continued)**

Interim monies held by the Center can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days. 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 or 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 Authority, and must be purchased with the expectation that it will be held to maturity.

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. Investments may only be made through specified dealers and institutions.

**Deposits** Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of the Center's bank balance of \$231,582 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**Note 19 - Center for Student Achievement (Continued)**

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

***D. Risk Management***

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2016, the Center contracted with the Liberty Mutual Insurance for the following coverage:

Property	Deductible	Limits of Coverage
Business Property	\$1,000	\$57,133
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Aggregate Limit	0	2,000,000
Employee Benefits Liability:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Vehicles:		
Bodily Injury:		
Any Once Accident	0	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2015.

***E. Purchased Services***

For the period July 1, 2015, through June 30, 2016, the Center had expenses of \$436,283 for professional and technical services.

**Jackson City School District, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**Note 19 - Center for Student Achievement (Continued)**

***F. Related Party Transactions***

The five members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor. The Center is reported as a component unit of the Sponsor.

***G. Contingencies***

***Grants*** - The Center received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the 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 Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2016.

***Ohio Department of Education Enrollment Review*** - The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Center. These reviews are conducted to ensure the Center is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. After year ending June 30, 2016, there were multiple adjustments from the State to the Center's foundation settlement report that date back to fiscal year 2015 and fiscal year 2016.

***H. Subsequent Event***

On October 13th, 2016, the Ohio Department of Education issued a letter to Jackson City School District, the Center for Student Achievement's sponsor, that they had received an overall "poor" sponsor evaluation rating based on an evaluation of three equally weighted components: academic performance, adherence to quality practices and compliance with all applicable laws and rules. The letter further indicated pursuant to Ohio Revised Code § 3314.016(B)(7)(c), sponsors receiving ratings of "poor" shall have their sponsorship authority revoked. This would not occur until the appeal process is finished. The appeal must be filed within 30 days after receiving the rating. Jackson City School District filed an appeal with the State Board of Education. If the State Board of Education confirms revocation of Jackson City School District's sponsorship authority, the Ohio Department of Education's Office of School Sponsorship will assume sponsorship of the Center for Student Achievement for the remainder of the 2016-2017 school year.

On February 14, 2017 and February 15, 2017, respectively, the Center for Student Achievement Governing Authority and the Jackson City School District Board of Education approved a Joint Resolution of Intent. This Resolution closes the Center for Student Achievement (CSA) permanently at the end of the current 2016-2017 school year and transfers the Center's assets to the Jackson City School District in full as of the end of the school year.



**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title/Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	2016	\$59,649
Cash Assistance:			
School Breakfast Program	10.553	2016	163,180
National School Lunch Program	10.555	2016	557,074
Cash Assistance Subtotal			<u>720,254</u>
Total Child Nutrition Cluster			<u>779,903</u>
Total U.S. Department of Agriculture			779,903
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2015 2016	119,439 <u>747,452</u>
Total Title I Grants to Local Educational Agencies			866,891
Special Education Cluster:			
Special Education Grants to States	84.027	2015 2016	108,923 <u>433,557</u>
Total Special Education - Grants to States			542,480
Special Education Preschool Grants	84.173	2015 2016	6,469 <u>22,237</u>
Total Special Education - Preschool Grants			<u>28,706</u>
Total Special Education Cluster			571,186
Rural Education	84.358	2016	44,573
Improving Teacher Quality State Grants	84.367	2015 2016	22,316 <u>112,440</u>
Total Improving Teacher Quality State Grants			<u>134,756</u>
Total U.S. Department of Education			<u>1,617,406</u>
<b>Total Expenditures of Federal Awards</b>			<b><u><u>\$2,397,309</u></u></b>

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

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Jackson City School District (the School District) under programs of the federal government for the year ended June 30, 2016. 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 School District, it is not intended to and does not present the financial position or changes in net assets of the School 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, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – CENTER FOR STUDENT ACHIEVEMENT**

The Center for Student Achievement (CSA), a component unit of the School District, was awarded various federal grants. The CSA is responsible for the compliance requirements related to the various grants; however, as the sponsor of the CSA, the School District is the fiscal agent for the grants. The CSA's grants are included in the School District's Schedule. The following amounts represent the Receipts and Disbursements related to the CSA:

<u>Program Title</u>	<u>Disbursements</u>
Title I Grants to Local Educational Agencies	\$23,598
Special Education – Grants to States	10,313
Improving Teacher Quality	<u>6,363</u>
Total Federal Awards Receipts and Expenditures	<u>\$40,274</u>

**NOTE D – CHILD NUTRITION CLUSTER**

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

**NOTE E – FOOD DONATION PROGRAM**

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

JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR PART 200.510(b)(6)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

**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 School District transferred the following amounts from 2016 to 2017 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States	84.027	\$1,869

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# Dave Yost • Auditor of State

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

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

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 modified cash-basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District, Jackson County, Ohio (the School District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 16, 2017, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles and wherein, we noted a Joint Resolution of Intent was agreed upon by the Jackson City School District Board of Education and the Center for Student Achievement Governing Authority which closes the Center permanently at the end of the 2016-2017 school year..

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

As part of our financial statement audit, we considered the School 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School 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 School 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 School 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2016-001.

***Entity's Response to Finding***

The School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

***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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

February 16, 2017



# Dave Yost • Auditor of State

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

Jackson City School District  
Jackson County  
450 Vaughn Street  
Jackson, Ohio 45640

To the Board of Education:

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

We have audited the Jackson City School District's, Jackson County, Ohio (the School 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 each of the School District's major federal programs for the year ended June 30, 2016. The *Summary of Audit Results* in the accompanying Schedule of Findings identifies the School District's major federal programs.

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

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

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

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and 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 School 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 each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect each of its other major federal programs for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

The School District's response to our noncompliance finding is described in the accompanying Schedule of Findings and corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

The School 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 School 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 School 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness, described in the accompanying Schedule of Findings as item 2016-002.

The School District's response to our internal control over compliance finding is described in the accompanying Schedule of Findings and corrective action plan. We did not audit the School District's response and, accordingly, we express no opinion on it



Jackson City School District  
Jackson County  
Independent Auditor's Report on Compliance with Requirements Applicable  
To Each Major Federal Program and on Internal Control Over Compliance  
Required by the Uniform Guidance  
Page 3

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

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

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

February 16, 2017

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**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016**

**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 control weakness conditions 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>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	Yes
<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 Program's Compliance Opinion</b>	Unmodified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under 2 CFR Part 200.510(a)?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Title I Grants to Local Educational Agencies, CFDA # 84.010</li> <li>• Special Education Cluster, CFDA #'s 84.027 and 84.173</li> </ul>	
<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 Part 200.520?</b>	No

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

**FINDING NUMBER 2016-001**

**Noncompliance**

Ohio Rev. Code § 117.38 provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The School District is subject to fines and various other administrative remedies.

The School District should take the necessary steps to ensure that the annual financial report is prepared on a generally accepted accounting principles basis.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

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

**FINDING NUMBER 2016-001 (Continued)**

**Noncompliance - Ohio Rev. Code § 117.38 (Continued)**

**Officials' Response:** See the Corrective Action Plan on page 67.

**3. FINDINGS FOR FEDERAL AWARDS**

**1. Cash Management**

<b>Finding Number</b>	2016-002		
<b>CFDA Title and Number</b>	Title I Grants to Local Educational Agencies, CFDA # 84.010 Special Education Cluster, CFDA #'s 84.027 and 84.173		
<b>Federal Award Identification Number / Year</b>	2015 and 2016		
<b>Federal Agency</b>	U.S. Department of Education		
<b>Pass-Through Entity</b>	Ohio Department of Education		
<b>Repeat Finding from Prior Audit?</b>	No	<b>Finding Number (if repeat)</b>	N/A

**Noncompliance and Material Weakness**

2 CFR Part 200.305(b) provides that non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means

Advance funds may be requested in order to meet upcoming obligations that will be paid within five business days of receiving the advance funds. These guidelines are necessary to comply with the "Cash Management Act" and 2 CFR Part 200.305, which requires that the time elapsed between the receipt and disbursement of funds be minimized.

The School District received fiscal year 2016 Title I Funds through the Ohio Department of Education. The School District submitted Project Cash Request Forms as needed; however, the School District did not expend Title I and Special Education funds by the required five days for 22 percent and 21 percent, respectively, of advances received. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned and questioned costs.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR PART 200.515  
JUNE 30, 2016  
(Continued)**

<b>3. FINDINGS FOR FEDERAL AWARDS (Continued)</b>
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**FINDING NUMBER 2016-002 (Continued)**

**Noncompliance and Material Weakness - 2 CFR Part 200.305(b) and 34 CFR Part 80.21(c) (Continued)**

34 CFR Part 80.21(c) provides that grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee. 34 CFR Part 80.20(b)(7) provides, in part, that procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.

Ohio Department of Education CCIP Note #284 provides that all cash requests must be compliant with the provisions of the Cash Management Improvement Act (34 CFR Part 80.21). To receive approval consideration, cash requests must be made for immediate needs for the month requested. Ohio Department of Education Project Cash Request Instructions require that payments be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. Funds must be expended within the period of time for which cash is requested.

- The School District received fiscal year 2015 Title I funding through the Ohio Department of Education attributable to the Center for Student Achievement (component unit). The School District submitted Project Cash Request Forms as needed, however, the Center for Student Achievement did not expend Title I funds by the required 30 days for both advances received in fiscal year 2016. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned and questioned costs.
- The School District received fiscal year 2015 Special Education Funds through the Ohio Department of Education. The School District submitted Project Cash Request Forms as needed, however, the School District did not expend funds by the required 30 days for 50 percent of advances received in fiscal year 2016. While imputed interest was not excessive, failure to timely expend funds can result in excessive interest earned and questioned costs.

In order to comply with the federal grant cash management requirements and to avoid incurring a liability to the grantors relating to earned interest, the Treasurer should review fund balances periodically to ensure only cash required to meet immediate needs are drawn down and that all federal receipts are expended within the required period.

**Officials' Response:** See the Corrective Action Plan on page 67.

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR PART 200.511(b)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	A material noncompliance citation was issued under Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for not preparing the annual financial report pursuant to generally accepted accounting principles.	Not Corrected:	The School District has chosen the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources. Repeated as Finding Number 2016-001.
2015-002	A material noncompliance citation was issued under Ohio Rev. Code § 3317.031 for destroying proper documentation for excused absences at the end of each school year for 100% of the students at the High School and at Northview Elementary.	Corrective Action Taken and Finding is Fully Corrected.	N/A

**JACKSON CITY SCHOOL DISTRICT  
JACKSON COUNTY**

**CORRECTIVE ACTION PLAN  
2 CFR PART 200.511(c)  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2016-001	Jackson City Schools has chosen the most cost-effective financial reporting system available. The additional cost associated with the GAAP financial statements would be a direct burden upon instructional resources.	Assessed Annually	Rachel King, Treasurer
2016-002	The School District has moved to a reimbursement basis for PCR's. The District is advancing funds from the General Fund to cover the deficits at month end and then returning them once the funds have been received from the State.	Beginning of FY17	Rachel King, Treasurer

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# Dave Yost • Auditor of State

JACKSON CITY SCHOOL DISTRICT

JACKSON 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  
MARCH 7, 2017