

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Jackson Center Local School District
204 S. Linden Street
Jackson Center, Ohio 45334

We have reviewed the *Independent Auditor's Report* of the Jackson Center Local School District, Shelby County, prepared by Julian & Grube, Inc., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Jackson Center Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 25, 2019

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Jackson Center Local School District
Shelby County
204 S. Linden Street
Jackson Center, Ohio 45334

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Jackson Center Local 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 cash accounting basis Note 2 describes. This responsibility includes determining that the 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 Jackson Center Local 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 Jackson Center Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the Jackson Center Local 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 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

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of the Jackson Center Local 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 Jackson Center Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 15, 2018

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The management's discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- In total, net cash position of governmental activities decreased \$5,018,144 from fiscal year 2017, which is primarily attributable to the District's participation in the Ohio Facilities Construction Commission (OFCC). In fiscal year 2017, the District received a large grant related to the OFCC that they did not receive again in fiscal year 2018.
- General cash receipts accounted for \$7,229,952 in cash receipts or 82.43% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,540,873 in cash receipts or 17.57% of total cash receipts of \$8,770,825.
- The District had \$13,788,969 in cash disbursements related to governmental activities; \$1,540,873 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and restricted grants for the Ohio Facilities Construction Commission) of \$7,229,952 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund, the building fund, and the classroom facilities fund. The general fund had \$6,788,976 in cash receipts and \$8,157,978 in cash disbursements and other financing uses. During fiscal year 2018, the general fund's fund cash balance decreased \$1,369,002 from \$2,692,749 to \$1,323,747.
- The bond retirement fund had \$1,136,308 in cash receipts and \$1,471,698 in cash disbursements. During fiscal year 2018, the bond retirement fund's fund cash balance decreased \$335,390 from \$1,083,450 to \$748,060.
- The building fund had \$2,470,335 in cash receipts and other financing sources and \$3,585,567 in cash disbursements. During fiscal year 2018, the building fund's fund cash balance decreased \$1,115,232 from \$1,381,445 to \$266,213.
- The classroom facilities fund had \$35,069 in cash receipts and \$2,416,233 in cash disbursements. During fiscal year 2018, the classroom facilities fund's fund cash balance decreased \$2,381,164 from \$2,627,673 to \$246,509.

Using the Cash Basis Basic Financial Statements (BFS)

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

The statement of net position – cash basis and statement of activities – cash basis provides information about the activities of the whole District, presenting both an aggregate view of the District's cash basis finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, the bond retirement fund, the building fund, and the classroom facilities fund are all reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did the District do financially during fiscal year 2018?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services and not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The District's statement of net position – cash basis and statement of activities – cash basis can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The basic governmental fund financial statements can be found on pages 15-17 of this report.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position – cash basis on page 18. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 19-53 of this report

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2018 and June 30, 2017.

	Net Cash Position	
	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
<u>Assets</u>		
Equity in pooled cash and investments	\$ 2,759,186	\$ 7,777,330
Total assets	<u>2,759,186</u>	<u>7,777,330</u>
<u>Net cash position</u>		
Restricted	1,455,053	5,297,447
Unrestricted	<u>1,304,133</u>	<u>2,479,883</u>
Total net cash position	<u>\$ 2,759,186</u>	<u>\$ 7,777,330</u>

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's total net cash position was \$2,759,186. The significant decrease in net cash position is the result of the District's participation in the OFCC project.

A portion of the District's net cash position, \$1,455,053, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$1,304,133 may be used to meet the District's ongoing obligations to its students and creditors.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table below shows the change in net cash position for fiscal years 2018 and 2017.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 822,353	\$ 800,754
Operating grants and contributions	707,503	582,448
Capital grants and contributions	11,017	24,572
General cash receipts:		
Property taxes	2,753,983	2,701,766
Income taxes	909,430	870,347
Grants and entitlements	3,359,264	7,148,449
Investment earnings	46,496	91,624
Miscellaneous	<u>160,779</u>	<u>263,222</u>
Total cash receipts	<u>8,770,825</u>	<u>12,483,182</u>

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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Change in Net Cash Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2018</u>	<u>2017</u>
<u>Cash disbursements</u>		
Current:		
Instruction:		
Regular	\$ 3,161,792	\$ 3,120,386
Special	660,582	644,987
Vocational	430	361
Other	1,631	1,268
Support services:		
Pupil	269,066	181,908
Instructional staff	96,375	12,111
Board of education	35,866	23,030
Administration	428,322	408,970
Fiscal	284,593	318,988
Operations and maintenance	618,900	534,190
Pupil transportation	240,094	341,546
Central	2,856	-
Operation of non-instructional services:		
Food service operations	255,363	255,812
Extracurricular activities	228,458	262,470
Facilities acquisition and construction	6,580,398	13,496,279
Debt service:		
Principal retirement	320,703	481,917
Interest and fiscal charges	431,204	438,345
Accreted interest on CABs	172,336	-
Total cash disbursements	<u>13,788,969</u>	<u>20,522,568</u>
Change in net cash position	(5,018,144)	(8,039,386)
Net cash position at beginning of year	<u>7,777,330</u>	<u>15,816,716</u>
Net cash position at end of year	<u>\$ 2,759,186</u>	<u>\$ 7,777,330</u>

Governmental Activities

Net cash position of the District's governmental activities decreased \$5,018,144. Total governmental cash disbursements of \$13,788,969 were offset by program cash receipts of \$1,540,873 and general cash receipts of \$7,229,952. Program cash receipts supported 11.17% of the total governmental cash disbursements.

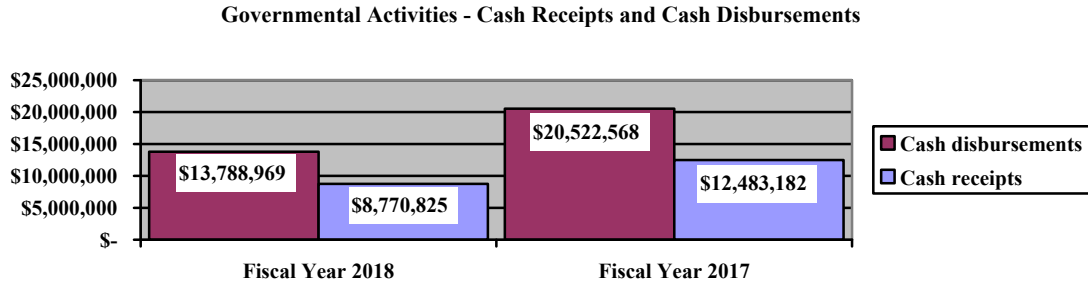
The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These cash receipt sources represent 80.07% of the total governmental cash receipts.

The largest cash disbursement category of the District is for facilities acquisition and construction. Facilities acquisition and construction cash disbursements totaled \$6,580,398 or 47.72% of total governmental cash disbursements for fiscal year 2018.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2018 and 2017.



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2018 and 2017. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Cash disbursements:				
Instruction:				
Regular	\$ 3,161,792	\$ 2,516,934	\$ 3,120,386	\$ 2,575,036
Special	660,582	265,834	644,987	299,544
Vocational	430	(5,623)	361	(5,725)
Adult/continuing	1,631	1,631	1,268	1,268
Support services:				
Pupil	269,066	115,781	181,908	113,597
Instructional staff	96,375	92,775	12,111	8,511
Board of education	35,866	32,666	23,030	20,170
Administration	428,322	428,322	408,970	408,970
Fiscal	284,593	284,593	318,988	318,988
Operations and maintenance	618,900	618,900	534,190	530,168
Pupil transportation	240,094	236,144	341,546	337,789
Central	2,856	2,856	-	-
Operation of non-instructional services:				
Food service operations	255,363	46,743	255,812	22,597
Extracurricular activities	228,458	116,916	262,470	91,912
Facilities acquisition and construction	6,580,398	6,569,381	13,496,279	13,471,707
Debt service:				
Principal retirement	320,703	320,703	481,917	481,917
Interest and fiscal charges	431,204	431,204	438,345	438,345
Accreted interest on CABs	172,336	172,336	-	-
Total cash disbursements	<u>\$ 13,788,969</u>	<u>\$ 12,248,096</u>	<u>\$ 20,522,568</u>	<u>\$ 19,114,794</u>

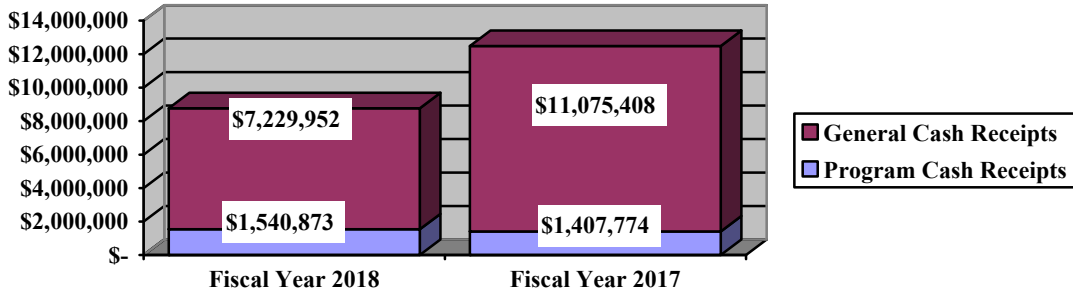
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 72.66% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 88.83%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2018 and 2017.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$2,759,186, which is lower than last year's total fund cash balance of \$7,777,330. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017.

	Fund Cash Balance <u>June 30, 2018</u>	Fund Cash Balance (Deficit) <u>June 30, 2017</u>	<u>Change</u>	<u>Percentage Change</u>
General	\$ 1,323,747	\$ 2,692,749	\$ (1,369,002)	(50.84) %
Bond retirement	748,060	1,084,931	(336,871)	(31.05) %
Building	266,213	1,379,964	(1,113,751)	(80.71) %
Classroom facilities	246,509	2,627,673	(2,381,164)	(90.62) %
Nonmajor governmental	174,657	(7,987)	182,644	(2,286.77) %
Total	<u>\$ 2,759,186</u>	<u>\$ 7,777,330</u>	<u>\$ (5,018,144)</u>	(64.52) %

General Fund

The District's general fund cash balance decreased \$1,369,002 or 50.84%.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund for fiscal years 2018 and 2017.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 2,552,750	\$ 2,470,234	\$ 82,516	3.34 %
Tuition	544,159	501,460	42,699	8.51 %
Earnings on investments	1,923	7,549	(5,626)	(74.53) %
Intergovernmental	3,464,628	3,465,149	(521)	(0.02) %
Other receipts	<u>225,516</u>	<u>297,403</u>	<u>(71,887)</u>	<u>(24.17) %</u>
Total	<u>\$ 6,788,976</u>	<u>\$ 6,741,795</u>	<u>\$ 47,181</u>	<u>0.70 %</u>
<u>Cash disbursements</u>				
Instruction	\$ 3,710,220	\$ 3,611,388	\$ 98,832	2.74 %
Support services	1,809,433	1,612,384	197,049	12.22 %
Extracurricular activities	118,633	108,101	10,532	9.74 %
Facilities acquisition and construction	-	93,767	(93,767)	(100.00) %
Debt service	<u>24,878</u>	<u>24,878</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 5,663,164</u>	<u>\$ 5,450,518</u>	<u>\$ 212,647</u>	<u>3.90 %</u>

Overall cash receipts of the general fund increased \$47,181 or 0.70% during fiscal year 2018. All cash receipt classifications remained comparable to the prior fiscal year.

Overall cash disbursements of the general fund increased \$212,647 or 3.90% during fiscal year 2018. The increases in instruction and support services cash disbursements can be attributed to an increase in current year wages and benefits. Facilities acquisition and construction decreased by \$93,767 due to the completion of the District's new school. All other cash disbursement classifications remained comparable to the prior fiscal year.

Bond Retirement Fund

During fiscal year 2018, the bond retirement fund's fund cash balance decreased \$335,390 from \$1,084,931 to \$749,541, which was due to a \$550,00 transfer to the permanent improvement fund, a nonmajor governmental fund.

Building Fund

During fiscal year 2018, the building fund's fund cash balance decreased \$1,115,232 from \$1,379,964 to \$264,732, which was due to spending of bond proceeds issued in the prior year for capital improvements.

Classroom Facilities Fund

During fiscal year 2018, the classroom facilities fund's fund cash balance decreased \$2,381,164 from \$2,627,673 to \$246,509, which was due to the large decrease in intergovernmental – state receipts related to the OFCC project.

General Fund Budgeting Highlights

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

For the general fund, original budgeted receipts of \$6,300,000 matched exactly to the final budgeted receipts. The actual receipts for fiscal year 2018 were \$6,774,778. This represents a \$474,778 increase from the final budgeted amounts.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

General fund original and final budgeted disbursements and other financing uses for fiscal year 2018 were \$6,209,699. The actual disbursements and other financing uses for fiscal year 2018 totaled \$8,271,481, which were \$2,061,782 higher than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$6,580,398 during fiscal year 2018.

Debt Administration

At June 30, 2018, the District had \$9,285,000 in capital improvement bonds, \$2,635,000 in current interest bonds, \$42,336 in capital appreciation bonds, \$159,419 in accreted interest, and \$24,217 in capital lease obligations. Of this total, \$475,972 is due within one year and \$11,670,000 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Capital improvement bonds	\$ 9,285,000	\$ 9,530,000
Current interest bonds	2,635,000	2,635,000
Capital appreciation bonds	42,336	95,000
Accreted interest	159,419	268,979
Capital lease obligations	<u>24,217</u>	<u>47,256</u>
Total	<u>\$ 12,145,972</u>	<u>\$ 12,576,235</u>

At June 30, 2018, the District's overall legal voted debt margin was \$(4,031,017), with an unvoted debt margin of \$79,814.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District's financial status was solid in fiscal year 2018, as completion of a new building project occurred and was supported out of the District's general fund at times. In spite of these expenditures, the financial outlook is projected to continue improvement over the course of the current five-year forecast. As the preceding information shows, the District relies heavily upon property taxes to fund operations, but has diversified through the passage of a 1.0% earned income tax (EIT), which took effect on January 1, 2010, and another 0.5% EIT, which took effect on January 1, 2014. The 0.5% EIT was in effect for a 5 year limit, but in May of 2018, voters aggressively approved to change this to a continuing status, making the total % of continuing EIT collected by the district in, 1.5%

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The District allowed a 7.5 mill, five-year limited property tax to roll off when this EIT began. The District is now, essentially, at the 20 mill floor. A loss of State funding, particularly over \$200,000 in a two-year period from the reduction of TPP Hold Harmless Payments, along with other State budget challenges at that time, were the main reasons for the additional 0.5% EIT. Within the state's biennial budget, Tangible Personal Property, Hold Harmless payments are at nearing the end of this total elimination. The previous biennial budget strengthened assistance to the District, buoyed mainly by 1 of 3 new components, which supplements districts who generate less than the state average for 1 mill. The biennial budget for Fiscal Years 18 and 19 contained small reductions in funding to the district, but most, if not all of those reductions were offset by the growth in enrollment of approximately 50 students from 16-17 to 17-18 school year.

Fiscal year 2019 is estimated for very slight growth in real estate receipts after a slight reduction due to a 1.5% reduction in the districts land valuation – the first reduction in nearly 10 years. Agriculture has steadily grown to make up over 40% of the District's valuation. Additionally, a local business' abatement has ended (Plastipak), and instead of payments in lieu of taxes, real tax receipts will be realized, while two other businesses have grown through building expansion (Airstream) and a new building (EMI). In August of 2018, Airstream Corp. will break ground on a \$40 million expansion. The village of Jackson Center has seen an impressive bounce back in business since the recession ended a few years ago.

The District passed an 8.3 mill Building Levy in November of 2014, and passed a renewal of its 1.0 mill Permanent Improvement Levy in May of 2015. Groundbreaking for the \$17 million K-8 building occurred in late spring of 2016 and the new building will opened in August of 2017. Additional renovations were completed around November, 2017. The most recent, 2 year contract provides a 4% and 3% increase to all employees, but also reflects actual cost as a result of salary schedule steps being phased out. This is different than most schools who may state a "base increase" of a certain % but incur a higher actual cost because of the use of traditional salary schedules.

The District's enrollment remained relatively unchanged when looked at over several years, until last year's increase. The District's academic test results have been strong, but were lower last year. Plans are in place creating optimistic outlook that these scores will return to expected levels enrollment will be stable and/or grow.

The Board of Education has remained engaged in managing costs, with a focus on salaries and benefits. This focus, along with aforementioned manpower management, has resulted in a 10 year period where total salary cost has grown a total of 2.5%, or .25%/year for 10 years. This culminated in FY18 disbursements being significantly outpaced by receipts when the building project expenditures are taken out of the equation.

A newer housing development in the area continues to grow and fill, with around 15 new homes built. It is unclear as to whether this development will continue, but vacant houses have recently declined in the area, which is a positive sign. Another housing development of 15 or so larger lots is also now under construction.

In conclusion, the District will remain focused on managing costs, while the five-year forecast has receipts outpacing disbursements in all fiscal years. The District is strong in nearly all aspects of operations and should remain in growing trend with regard to its' bank and general fund carryover balances.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Tony Meyer, Treasurer, Jackson Center Local School District, 204 S. Linden Street, Jackson Center, Ohio 45334.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 2,759,186
Total assets.	2,759,186
 Net cash position:	
Restricted for:	
Capital projects	547,734
Classroom facilities maintenance	91,148
Debt service.	749,541
Locally funded programs	4,540
State funded programs.	6,766
Federally funded programs	1
Student activities	40,939
Other purposes	14,384
Unrestricted	1,304,133
Total net cash position	\$ 2,759,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 3,161,792	\$ 591,935	\$ 52,923	\$ -	\$ (2,516,934)
Special	660,582	2,762	391,986	-	(265,834)
Vocational	430	-	6,053	-	5,623
Adult/continuing.	1,631	-	-	-	(1,631)
Support services:					
Pupil.	269,066	-	153,285	-	(115,781)
Instructional staff	96,375	-	3,600	-	(92,775)
Board of education	35,866	-	3,200	-	(32,666)
Administration.	428,322	-	-	-	(428,322)
Fiscal.	284,593	-	-	-	(284,593)
Operations and maintenance	618,900	-	-	-	(618,900)
Pupil transportation.	240,094	-	3,950	-	(236,144)
Central	2,856	-	-	-	(2,856)
Operation of non-instructional services:					
Food service operations	255,363	116,189	92,431	-	(46,743)
Extracurricular activities.	228,458	111,467	75	-	(116,916)
Facilities acquisition and construction.	6,580,398	-	-	11,017	(6,569,381)
Debt service:					
Principal retirement	320,703	-	-	-	(320,703)
Interest and fiscal charges	431,204	-	-	-	(431,204)
Accreted interest on CABs	172,336	-	-	-	(172,336)
Totals	\$ 13,788,969	\$ 822,353	\$ 707,503	\$ 11,017	(12,248,096)

General cash receipts:

Property taxes levied for:	
General purposes	1,643,320
Debt service.	1,024,374
Capital outlay.	53,902
Special revenue	32,387
Income taxes levied for:	
general purposes	909,430
Grants and entitlements not restricted	
to specific programs	3,359,264
Investment earnings	46,496
Miscellaneous	160,779
Total general cash receipts	7,229,952
Change in net cash position.	(5,018,144)
Net cash position at beginning of year.	7,777,330
Net cash position at end of year	\$ 2,759,186

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ 1,323,747	\$ 749,541	\$ 264,732	\$ 246,509	\$ 174,657	\$ 2,759,186
Total assets	<u>\$ 1,323,747</u>	<u>\$ 749,541</u>	<u>\$ 264,732</u>	<u>\$ 246,509</u>	<u>\$ 174,657</u>	<u>\$ 2,759,186</u>
Fund cash balances:						
Restricted:						
Debt service	\$ -	\$ 749,541	\$ -	\$ -	\$ -	\$ 749,541
Capital improvements	-	-	264,732	246,509	36,493	547,734
Classroom facilities maintenance	-	-	-	-	91,148	91,148
Food service operations	-	-	-	-	14,384	14,384
Targeted academic assistance	-	-	-	-	1	1
Extracurricular.	-	-	-	-	40,939	40,939
Other purposes.	-	-	-	-	11,306	11,306
Committed:						
Other purposes.	-	-	-	-	4,595	4,595
Assigned:						
Student instruction	28,623	-	-	-	-	28,623
Student and staff support.	107,624	-	-	-	-	107,624
Other purposes.	1,869	-	-	-	-	1,869
Unassigned (deficit)	1,185,631	-	-	-	(24,209)	1,161,422
Total fund cash balances	<u>\$ 1,323,747</u>	<u>\$ 749,541</u>	<u>\$ 264,732</u>	<u>\$ 246,509</u>	<u>\$ 174,657</u>	<u>\$ 2,759,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:						
From local sources:						
Property taxes	\$ 1,643,320	\$ 1,024,374	\$ -	\$ -	\$ 86,289	\$ 2,753,983
Income taxes	909,430	-	-	-	-	909,430
Tuition	544,159	-	-	-	-	544,159
Earnings on investments	1,923	-	9,504	35,069	-	46,496
Charges for services	-	-	-	-	116,189	116,189
Extracurricular	14,199	-	-	-	97,268	111,467
Classroom materials and fees	50,538	-	-	-	-	50,538
Contributions and donations	119,468	-	11,017	-	75	130,560
Other local receipts	41,311	-	-	-	7,195	48,506
Intergovernmental - intermediate	-	-	-	-	5,854	5,854
Intergovernmental - state	3,418,011	111,934	-	-	11,676	3,541,621
Intergovernmental - federal	46,617	-	-	-	465,405	512,022
Total cash receipts	<u>6,788,976</u>	<u>1,136,308</u>	<u>20,521</u>	<u>35,069</u>	<u>789,951</u>	<u>8,770,825</u>
Cash disbursements:						
Current:						
Instruction:						
Regular	3,125,652	-	-	-	36,140	3,161,792
Special	582,507	-	-	-	78,075	660,582
Vocational	430	-	-	-	-	430
Adult/continuing	1,631	-	-	-	-	1,631
Support services:						
Pupil	193,728	-	-	-	75,338	269,066
Instructional staff	86,327	-	-	-	10,048	96,375
Board of education	32,666	-	-	-	3,200	35,866
Administration	428,322	-	-	-	-	428,322
Fiscal	260,346	22,333	-	-	1,914	284,593
Operations and maintenance	565,094	-	-	-	53,806	618,900
Pupil transportation	240,094	-	-	-	-	240,094
Central	2,856	-	-	-	-	2,856
Operation of non-instructional services:						
Food service operations	-	-	-	-	255,363	255,363
Extracurricular activities	118,633	-	-	-	109,825	228,458
Facilities acquisition and construction	-	-	3,585,567	2,416,233	578,598	6,580,398
Debt service:						
Principal retirement	23,039	297,664	-	-	-	320,703
Interest and fiscal charges	1,839	429,365	-	-	-	431,204
Accreted interest on CABs	-	172,336	-	-	-	172,336
Total cash disbursements	<u>5,663,164</u>	<u>921,698</u>	<u>3,585,567</u>	<u>2,416,233</u>	<u>1,202,307</u>	<u>13,788,969</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>1,125,812</u>	<u>214,610</u>	<u>(3,565,046)</u>	<u>(2,381,164)</u>	<u>(412,356)</u>	<u>(5,018,144)</u>
Other financing sources (uses):						
Transfers in	-	-	2,449,814	-	595,000	3,044,814
Transfers (out)	(2,494,814)	(550,000)	-	-	-	(3,044,814)
Total other financing sources (uses)	<u>(2,494,814)</u>	<u>(550,000)</u>	<u>2,449,814</u>	<u>-</u>	<u>595,000</u>	<u>-</u>
Net change in fund cash balances	(1,369,002)	(335,390)	(1,115,232)	(2,381,164)	182,644	(5,018,144)
Fund cash balances (deficit) at beginning of year	<u>2,692,749</u>	<u>1,084,931</u>	<u>1,379,964</u>	<u>2,627,673</u>	<u>(7,987)</u>	<u>7,777,330</u>
Fund cash balances at end year	<u>\$ 1,323,747</u>	<u>\$ 749,541</u>	<u>\$ 264,732</u>	<u>\$ 246,509</u>	<u>\$ 174,657</u>	<u>\$ 2,759,186</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,528,156	\$ 1,528,156	\$ 1,643,320	\$ 115,164
Income taxes.	845,697	845,697	909,430	63,733
Tuition.	506,024	506,024	544,159	38,135
Earnings on investments	1,788	1,788	1,923	135
Classroom materials and fees	46,997	46,997	50,539	3,542
Contributions and donations	110,619	110,619	118,955	8,336
Other local receipts	38,893	38,893	41,824	2,931
Intergovernmental - state	3,178,476	3,178,476	3,418,011	239,535
Intergovernmental - federal	43,350	43,350	46,617	3,267
Total budgetary basis receipts.	<u>6,300,000</u>	<u>6,300,000</u>	<u>6,774,778</u>	<u>474,778</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	3,412,394	3,412,394	3,174,431	237,963
Special.	631,251	631,251	587,231	44,020
Vocational.	462	462	430	32
Adult/continuing	1,753	1,753	1,631	122
Support services:				
Pupil.	224,067	224,067	208,442	15,625
Instructional staff	94,424	94,424	87,839	6,585
Board of education	38,222	38,222	35,557	2,665
Administration.	466,967	466,967	434,403	32,564
Fiscal	284,789	284,789	264,929	19,860
Operations and maintenance.	673,664	673,664	626,686	46,978
Pupil transportation	270,306	270,306	251,456	18,850
Central.	3,070	3,070	2,856	214
Extracurricular activities.	108,330	108,330	100,776	7,554
Total budgetary basis disbursements.	<u>6,209,699</u>	<u>6,209,699</u>	<u>5,776,667</u>	<u>433,032</u>
Excess of budgetary basis receipts over budgetary basis disbursements.	<u>90,301</u>	<u>90,301</u>	<u>998,111</u>	<u>907,810</u>
Other financing uses:				
Transfers (out).	-	-	(2,494,814)	(2,494,814)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(2,494,814)</u>	<u>(2,494,814)</u>
Net change in fund cash balance	90,301	90,301	(1,496,703)	(1,587,004)
Fund cash balance at beginning of year . .	2,572,635	2,572,635	2,572,635	-
Prior year encumbrances appropriated . .	109,699	109,699	109,699	-
Fund cash balance at end of year	<u>\$ 2,772,635</u>	<u>\$ 2,772,635</u>	<u>\$ 1,185,631</u>	<u>\$ (1,587,004)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2018

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 91,317
Total assets.	\$ 91,317
Net cash position:	
Held for student activities.	\$ 91,317
Total net cash position	\$ 91,317

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Center Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 20 non-certified employees, 46 certified full-time teaching personnel, and 3 administrative employees who provide services to 494 students and other community members.

The District serves an area of approximately 40 square miles. It is located in Shelby, Auglaize, and Logan Counties, including all of Jackson Township (Shelby) and part of Clay (Auglaize) and Stokes (Logan) Townships.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.B, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District's accounting policies.

A. Reporting Entity

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)

WOCO is a council of governments composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per-pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months financial contributions. WOCO is governed by a Board of Directors consisting of Superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$22,155 to WOCO during fiscal year 2018. Financial information is available from Donn Walls, who serves as Administrator, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

The SOEPC is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture, and supplies purchased by the SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377-1171.

Southwestern Ohio Instructional Technology Association (SOITA)

The SOITA is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of 21 representatives of SOITA member schools or institutions. Of this total, 19 representatives are elected from within the counties by the qualified members within the counties, i.e. Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene, and Butler Counties elect two representatives per area. All others elect one representative per area.

All Superintendents, except for those from educational service centers, vote on the representative after the nominating committee nominates individuals to run. One at-large non-public representative is elected by the non-public school SOITA members within the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net position will be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the general fund. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

Shelby County Local Professional Development Committee (Committee)

The District is a participant in the Committee, which is a regional council of governments established to provide professional educator license renewal standards and procedures. The Committee is an association of public school districts within the boundaries of Shelby County.

The Committee is governed by a twelve-member Board made up of eight teachers, one building Principal, one Superintendent, one Treasurer, and one administrator employed by the Midwest Regional Educational Service Center. Each member serves a term of two years. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Midwest Regional Educational Service Center, 129 East Court Street, Sidney, Ohio 45365.

INSURANCE PURCHASING POOLS

Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The GRP was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five-member Board of Directors, consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City School District serves as the coordinator of the program. Each year, the participating districts pay an enrollment fee to The Sheakley Group of Companies to cover the costs of administering the program.

Shelby County Schools Consortium - The Shelby County Schools Consortium (the "Consortium") is an insurance purchasing pool among several local school districts within Shelby County. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium helps provide health/surgical, dental, and term-life benefits to its participants at a lower rate than if individual districts acted independently.

Each school district pays monthly premiums to the providers Anthem and Community National Assurance Company. Effective January 1, 2018, the consortium moved to the Jefferson Health Plan for health/surgical and dental. The Consortium is governed by an Administrative Committee, consisting of the Superintendent from each participating school district.

The degree of control exercised by any participating school district is limited to its representation on the Administrative Committee. Financial information can be obtained from Mike Elsass, who serves as a consultant to the Consortium, Elsass/Hecker CLU's, 131 North Ludlow Street, Dayton, Ohio 45402.

Southwestern Ohio Educational Council Property, Fleet, and Liability Program - The District participates in the Southwestern Ohio Educational Council Property, Fleet, and Liability Program (PFL).

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The PFL's business and affairs are conducted by a six-member Committee, consisting of various PFL representatives that are elected by a general assembly. The purpose of the PFL of the SOEPC is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage, and other protections for participating school districts. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377-1171.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements and funds budgeted elsewhere.

C. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable resources are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the District's major governmental funds:

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond and note principal, interest, and related costs.

Building fund - The building fund is used to account for receipts and disbursements related to the District's locally funded initiative (LFI) intended for capital improvements of District facilities.

Classroom facilities fund - The classroom facilities fund is used to account for receipts and disbursements related to the District's construction project administered through the Ohio Facilities Construction Commission (OFCC).

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash 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 cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District does not have any trust funds. The District has an agency fund that accounts for student activities.

D. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position – cash basis and a statement of activities – cash basis, 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 District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts, or receipts and other non-exchange transactions.

The statement of net position – cash basis presents all assets and net cash position associated with the operation of the District. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the 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 District's general receipts.

Fund Financial Statements - During the fiscal year, the District segregates transactions related to certain 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 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.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statement 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 statement reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriations resolution is subject to amendment throughout the fiscal year, with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered that 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.

F. Cash and Investments

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

During fiscal year 2018, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market funds and negotiable certificates of deposit. In accordance with the cash basis of accounting, with the exception of STAR Ohio, all District investments are reported at cost.

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund, unless statutorily required to be credited to a specific fund. Interest receipts credited to the general fund during fiscal year 2018 amounted to \$1,923, which includes \$676 assigned from other funds.

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation Leave and Sick Leave

Employees are entitled to cash payments for unused vacation leave and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Bonds, loans, capital leases, and other long-term obligations are not recognized as liabilities in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for principal and interest payments, bond issuance costs, and payments to refunded bond escrow agent when cash is paid.

J. Fund Cash Balance

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

Nonspendable - The nonspendable fund cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2018. Net cash position restricted for other purposes includes amounts restricted for food service operations. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

L. Inventory and Prepaid Items

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

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Interfund Balances

On the fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the statement of activities. The District had no interfund advance activity to report during fiscal year 2018.

O. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund transfers between governmental funds are eliminated in the statement of activities.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the District.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the District.

B. Compliance

- i.* Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

- ii.* The District's appropriations were in excess of estimated resources, contrary to Ohio Revised Code Section 5705.39.
- iii.* The District's appropriations were in excess of actual resources, contrary to Ohio Revised Code Section 5705.36(A)(4).
- iv.* The District's disbursements were in excess of appropriations, contrary to Ohio Revised Code Section 5705.41(B).
- v.* The District did not properly modify estimated resources, contrary to Ohio Revised Code Section 5705.36.
- vi.* The District did not properly modify its appropriations, contrary to Ohio Revised Code Section 5705.40.

C. Deficit Fund Balances

Fund balances at June 30, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 1
IDEA Part-B	1
Miscellaneous federal grants	24,207

The general fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balance resulted from delayed cash requests of the grantor.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At June 30, 2018, the District had \$150 in undeposited cash on hand, which is included on the basic financial statements of the District as part of "equity in pooled cash and cash equivalents".

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$1,431,096 and the bank balance of all District deposits was \$1,543,001. Of the bank balance, \$652,225 was covered by the FDIC and \$890,776 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the District to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the District's financial institutions were approved for a reduced collateral rate of 102 percent through the OPCS.

C. Investments

At June 30, 2018, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>	
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>
Negotiable CD	\$ 249,000	\$ -	\$ 249,000
U.S. government money market	6,716	6,716	-
STAR Ohio	<u>1,163,541</u>	<u>1,163,541</u>	<u>-</u>
Total	<u>\$ 1,419,257</u>	<u>\$ 1,170,257</u>	<u>\$ 249,000</u>

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned the U.S. Government money market funds an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio carries a rating of AAAM by Standard & Poor's. The District's negotiable certificates of deposit are not rated. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% to Total</u>
Negotiable CD	\$ 249,000	17.55
U.S. Government Money Market	6,716	0.47
STAR Ohio	<u>1,163,541</u>	<u>81.98</u>
Total	<u>\$ 1,419,257</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2018:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 1,431,096
Investments	1,419,257
Cash on hand	<u>150</u>
Total	<u>\$ 2,850,503</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,759,186
Agency fund	<u>91,317</u>
Total	<u>\$ 2,850,503</u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of cash receipts, disbursements and change in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned, committed, or restricted fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis) but have separate legally adopted budgets (budget basis).

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General fund</u>
Budget basis	\$ (1,496,703)
Funds budgeted elsewhere	(3,658)
Adjustment for encumbrances	131,359
Cash basis	<u>\$ (1,369,002)</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a cash basis. This includes the special trust fund and the public-school support fund.

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2018 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Building	\$ 2,449,814
Nonmajor governmental fund	45,000
	<u>\$ 2,494,814</u>
<u>Transfers from bond retirement fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	<u>\$ 550,000</u>

Transfers are used to (1) move cash receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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

In fiscal year 2018, the District transferred \$550,000 from the bond retirement fund to the permanent improvement fund, a nonmajor governmental fund. This amount was approved by the County Budget Commission and the District's Board of Education to transfer excess bond funds for permanent improvements throughout the District.

NOTE 7 - PROPERTY TAXES

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2018, are available to finance fiscal year 2018 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 78,038,950	96.41	\$ 76,751,420	96.16
Public utility personal	<u>2,903,470</u>	<u>3.59</u>	<u>3,062,570</u>	<u>3.84</u>
Total	<u>\$ 80,942,420</u>	<u>100.00</u>	<u>\$ 79,813,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 54.00		\$ 54.00	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010 and is a continuing tax. An additional tax of 0.50 percent was passed by the voters for a period of five years beginning January 1, 2014. In May 2018, the District renewed the 0.50 percent levy on a continuing basis, which becomes effective January 1, 2019. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of \$909,430 were credited to the general fund in fiscal year 2018.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2018, the following changes occurred in the District's long-term obligations:

	Balance Outstanding <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2018</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Series 2011 refunding bonds:					
Current interest bonds	\$ 2,635,000	\$ -	\$ -	\$ 2,635,000	\$ -
Capital appreciation bonds	95,000	-	(52,664)	42,336	42,336
Accreted interest	268,979	62,776	(172,336)	159,419	159,419
Series 2015 school improvement bonds:					
Serial and term bonds	9,530,000	-	(245,000)	9,285,000	250,000
Capital lease obligations	<u>47,256</u>	<u>-</u>	<u>(23,039)</u>	<u>24,217</u>	<u>24,217</u>
Total long-term obligations	<u>\$ 12,576,235</u>	<u>\$ 62,776</u>	<u>\$ (493,039)</u>	<u>\$ 12,145,972</u>	<u>\$ 475,972</u>

Capital Lease Obligations - The capital lease obligations are paid from the general fund. See Note 10 for details.

Series 2011 School Improvement Refunding Bonds - On April 6, 2011, the District issued Series 2011 School Improvement Refunding Bonds to refund the callable portion of the Series 2001 School Improvement Bonds (principal \$3,340,000). Issuance proceeds totaling \$3,535,846 were deposited with an escrow agent. The balance of the refunded general obligation current interest bonds was retired during fiscal year 2012.

This refunding issue is comprised of both current interest bonds and capital appreciation bonds in the amounts of \$3,245,000 and \$95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and are repaid from the bond retirement fund. The capital appreciation bonds mature on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is \$225,000 each, with \$355,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2018 is \$159,419.

This refunding was undertaken to reduce the combined total debt service payments by \$116,214.

Series 2015 School Improvement Bonds - On March 3, 2015, the District issued \$10,085,000 in Series 2015 School Improvement Bonds for the purpose of constructing improvements and additions to school facilities. The bond issue is comprised of serial and term bonds in the amounts of \$7,515,000 and \$2,570,000, respectively. The interest rate on the bonds ranges from 1.00% to 4.00%, and the bonds are scheduled to mature on December 1, 2042. The bonds will be repaid from the bond retirement fund, beginning on December 1, 2015.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire long-term obligations outstanding at fiscal year-end are as follows:

Fiscal Year Ending June 30,	General Obligation Current Interest, Serial, and Term Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
	2019	\$ 250,000	\$ 425,653	\$ 675,653	\$ 42,336	\$ 182,664
2020	475,000	418,015	893,015	-	-	-
2021	490,000	404,183	894,183	-	-	-
2022	505,000	387,639	892,639	-	-	-
2023	525,000	370,039	895,039	-	-	-
2024 - 2028	2,885,000	1,560,120	4,445,120	-	-	-
2029 - 2033	2,085,000	1,062,589	3,147,589	-	-	-
2034 - 2038	2,135,000	675,561	2,810,561	-	-	-
2039 - 2043	2,570,000	239,250	2,809,250	-	-	-
Total	<u>\$ 11,920,000</u>	<u>\$ 5,543,049</u>	<u>\$ 17,463,049</u>	<u>\$ 42,336</u>	<u>\$ 182,664</u>	<u>\$ 225,000</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$(4,031,017) (including available funds of \$749,541) and an unvoted debt margin of \$79,814. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 10 - CAPITAL LEASES

In prior fiscal years, the District entered into capitalized leases for printer equipment. These lease agreements meet the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service disbursements in the general fund. These disbursements are reported as function disbursements on the budgetary statements.

Principal and interest payments in fiscal year 2018 totaled \$23,039 and \$1,839, respectively, and were paid by the general fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 10 - CAPITAL LEASES - (Continued)

The following is a schedule of the future minimum lease payments required under the District's capital leases and the present value of the future minimum lease payments as of June 30, 2018:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 24,878
Total minimum lease payments	24,878
Less: amount representing interest	<u>(661)</u>
Total	<u>\$ 24,217</u>

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The 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. During fiscal year 2018, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Brit Global Specialty	\$1,000,000	\$5,000
General Liability	Brit Global Specialty	\$1,000,000/\$3,000,000	
Liability, Fleet & Property	Brit Global Specialty		
Occurrence		\$1,000,000	
Aggregate		\$3,000,000	
Excess Property	Travelers Indemnity company	\$350,000,000	
School Board Legal Liability	QBE Specialty Insurance	\$1,000,000	\$10,000 / \$15,000
Excess Liability	Brit Global Specialty	\$5,000,000	
Pollution Liability	Ironshore Specialty Insurance Company		
Occurrence		\$1,000,000	
Aggregate		\$1,000,000	
Pollution Deductible			\$25,000
Mold Deductible			\$50,000
Cyber Liability /Cyber Deception	Indian Harbor Insurance Company	\$2,000,000	\$15,000
Boiler & Machinery	Travelers Property Casualty Co. of American	\$250,000,000	\$3,500

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium. 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 based on the rate for the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Dental, and Life Insurance Benefits

For fiscal year 2018, the District participated in the Shelby County Schools Consortium (the "Consortium"), an insurance purchasing pool (Note 2.A). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

NOTE 12 - 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 District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org 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 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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$108,288 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit 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 fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$309,457 for fiscal year 2018.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.02186450%	0.01905570%	
Proportion of the net pension liability current measurement date	<u>0.02146350%</u>	<u>0.01921329%</u>	
Change in proportionate share	<u>-0.00040100%</u>	<u>0.00015759%</u>	
Proportionate share of the net pension liability	\$ 1,282,397	\$ 4,564,158	\$ 5,846,555

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, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

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

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 1,779,633	\$ 1,282,397	\$ 865,860

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$ 6,542,565	\$ 4,564,158	\$ 2,897,647

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Access to health care for retirees and beneficiaries is permitted in accordance with Chapter 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the District's surcharge obligation was \$11,360.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$15,371 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.02168170%	0.01921329%	
Proportion of the net OPEB liability current measurement date	<u>0.02168170%</u>	<u>0.01921329%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 581,880	\$ 749,632	\$ 1,331,512

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 702,694	\$ 581,880	\$ 486,164
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 472,152	\$ 581,880	\$ 727,107

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 1,006,368	\$ 749,632	\$ 546,726
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 520,812	\$ 749,632	\$ 1,050,785

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to any legal proceedings that would have a material effect, if any, on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 15 - SET-ASIDES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	87,410
Current year qualifying disbursements	(74,833)
Current year offsets	<u>(92,880)</u>
Total	<u>\$ (80,303)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

During fiscal years 2002 and 2015, the District issued \$14,865,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was \$14,410,449 at June 30, 2018.

NOTE 16 - COMMITMENTS

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

	<u>Year End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 131,909
Building fund	73,903
Classroom facilities fund	105,211
Nonmajor governmental funds	<u>87,220</u>
Total	<u>\$ 398,243</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 17 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

The Village of Jackson Center entered into property tax abatement agreements with local businesses under The Ohio Community Reinvestment Area (“CRA”) program. The CRA program is a directive incentive tax exemption program benefiting those who renovate or construct new buildings. Under this program, the Village of Jackson Center designated areas to encourage revitalization and the development of new structures. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District property taxes were reduced by \$92,980 during fiscal year 2018.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Jackson Center Local School District
Shelby County
204 S. Linden Street
Jackson Center, Ohio 45334

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Jackson Center Local School District's basic financial statements and have issued our report thereon dated November 15, 2018, wherein we noted the Jackson Center Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Jackson Center Local 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 Jackson Center Local 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 Jackson Center Local 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 Jackson Center Local 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2018-001 through 2018-006.

Jackson Center Local School District's Responses to Findings

The Jackson Center Local School District's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Jackson Center Local School District's responses and, accordingly, we express no opinion on them.

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 Jackson Center Local 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 Jackson Center Local School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 15, 2018

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2018-001

Noncompliance:

Ohio Revised Code Section 117.38 provides 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interest of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2018 and made the decision that the significant dollars saved, outweighed the benefit received.

Finding Number	2018-002
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Noncompliance:

Ohio Revised Code Sections 5705.36, in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

The District had appropriations in excess of its estimated resources, indicating it did not timely amend certificates throughout the year upon notice of increased or reduced resources.

Having appropriations in excess of estimated resources could lead to spending monies not collected or expected to be collected, and thus could lead to a negative fund balance.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-002 - (Continued)

We recommend the District evaluate its certified estimated resources prior to modifying/approving appropriations to ensure appropriations are less than or equal to certified estimated resources.

Client Response: We'll continue to work on improving in these areas.

Finding Number	2018-003
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Noncompliance:

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.

The District had total appropriations exceeding total estimated resources in the following fund:

Governmental Fund	Appropriations	Estimated Resources	Excess
Building Fund	\$3,353,759	\$2,756,809	\$596,950

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in process of collection and cause fund deficits.

We recommend the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 and continually monitor appropriations versus estimated resources. If it is determined that estimated resources will be different than initially anticipated, the District should amend its estimated resources and also amend the appropriations as necessary; however, appropriations should not exceed estimated resources.

Client Response: We'll continue to work on improving in these areas.

Finding Number	2018-004
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Noncompliance:

Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the Budget Commission, and the Budget Commission shall certify an amended certificate reflecting the deficiency.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-004 - (Continued)

The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the following fund:

Governmental Fund	Appropriations	Actual Resources	Excess
Building Fund	\$3,353,759	\$2,702,144	\$651,615

By appropriating more funds than actual resources, the District is at risk of spending more money than is available; this may result in negative fund balances.

We recommend the District monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend appropriations accordingly. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: We'll continue to work on improving in these areas.

Finding Number	2018-005
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Noncompliance:

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

The District had disbursements exceeding appropriations in the following funds:

Governmental Fund	Appropriations	Disbursements	Excess
General Fund	\$6,209,699	\$8,271,481	\$2,061,782
Food Service Fund (Nonmajor)	\$252,000	\$256,329	\$4,329
Classroom Facilities Fund (Nonmajor)	\$2,437,162	\$2,521,445	\$84,283
IDEA Part B Grants (Nonmajor)	\$100,241	\$123,671	\$23,430

With disbursements exceeding appropriations, the District is expending monies that have not been appropriated and approved by the Board of Education. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring disbursements, so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary, subsequent to the passage of permanent appropriations.

Client Response: We'll continue to work on improving in these areas.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2018-006

Noncompliance:

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in making the original appropriations.

The District did not properly modify its appropriations throughout the year ended June 30, 2018.

By not timely and properly modifying the District's appropriations, the potential to overspend in certain funds exists.

We recommend the District comply with the Ohio Revised Code by keeping more accurate appropriations records and amending the appropriations prior to year-end. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: We'll continue to work on improving in these areas.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2017-001	2007	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.	No	Repeated as finding 2018-001 as financial statements were prepared on a cash basis.
2017-002	2017	<u>Noncompliance</u> - Ohio Revised Code Section 5705.10, in part requires that on a cash basis, no fund shall have a negative fund balance during the fiscal year or at fiscal year-end. However, Ohio Revised Code 3315.20 does provide an allowable exception. At June 30, 2017, the District had negative cash fund balances in two funds that did not meet the allowable exception.	Partially Corrected	Moved to a management letter as the District still had multiple funds with a negative fund balance, but the District did appear to more closely monitor the balances.

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OHIO AUDITOR OF STATE KEITH FABER



JACKSON CENTER LOCAL SCHOOL DISTRICT

SHELBY 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 12, 2019**