

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2013***

TONY MEYER, TREASURER



Dave Yost • Auditor of State

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, 2012 through June 30, 2013. 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 "Dave Yost".

Dave Yost
Auditor of State

December 3, 2014

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

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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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 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, 2013, 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 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, 2013, 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, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Jackson Center Local School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net cash position, change in net cash position, governmental activities, governmental fund balances, cash financial activities of the general fund and outstanding debt. These tables provide additional analysis and are not a required part of the basic financial statements.

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

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and 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 October 31, 2014, 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.
October 31, 2014

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The 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, 2013, 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 2013 are as follows:

- In total, net cash position of governmental activities increased \$202,683, which represents a 22.88% increase from fiscal year 2012.
- General cash receipts accounted for \$4,431,900 or 76.32% of total governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales and operating grants and contributions accounted for \$1,374,856 or 23.68% of total governmental activities cash receipts of \$5,806,756.
- The District had \$5,604,073 in cash disbursements related to governmental activities; \$1,374,856 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$4,431,900 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$4,676,296 in cash receipts and \$4,615,697 in cash disbursements and other financing uses. During fiscal year 2013, the general fund's fund cash balance increased \$60,599 from \$637,703 to \$698,302.
- The bond retirement fund had \$391,461 in cash receipts and \$330,534 in cash disbursements. During fiscal year 2013, the bond retirement fund's fund cash balance increased \$60,927 from \$231,019 to \$291,946.

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 provide 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 and the bond retirement fund are the most significant funds and the only governmental funds reported as major funds.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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 we do financially during fiscal year 2013?" 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 (GAAP). 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 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 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 and the bond retirement fund.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 you 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 governmental fund statements can be found on pages 15-17 of this report.

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. Only the cash held at year end is reported in a separate statement of fiduciary net position – cash basis on page 18. This cash is excluded from the District's other financial statements because the cash 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 19-41 of this report.

The District as a Whole

Recall that the statement of net position – cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2013 and June 30, 2012.

	Net Cash Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 1,088,456	\$ 885,773
Total assets	<u>1,088,456</u>	<u>885,773</u>
<u>Net cash position</u>		
Restricted	466,658	409,175
Unrestricted	<u>621,798</u>	<u>476,598</u>
Total net cash position	<u>\$ 1,088,456</u>	<u>\$ 885,773</u>

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

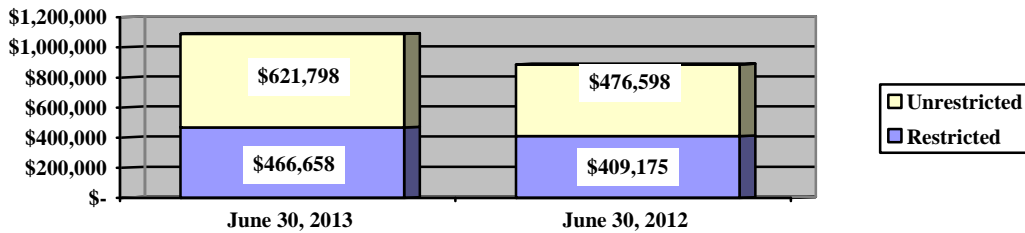
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's total net cash position was \$1,088,456.

A portion of the District's net cash position, \$466,658 represents resources that are subject to external restrictions on how they may be used. The remaining balance of government-wide unrestricted net cash position of \$621,798 may be used to meet the government's ongoing obligations to students and creditors.

The graph below presents the District's governmental activities restricted and unrestricted net cash position at June 30, 2013 and June 30, 2012.

Governmental Activities - Restricted and Unrestricted Net Position



The table below shows the change in net cash position for fiscal years 2013 and 2012:

	Change in Net Cash Position	
	Governmental Activities 2013	Governmental Activities 2012
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 797,510	\$ 886,081
Operating grants and contributions	577,346	490,948
General cash receipts:		
Property taxes	1,571,441	1,523,936
Income taxes	518,970	476,268
Grants and entitlements	2,193,405	2,244,648
Investment earnings	204	197
Other	147,880	105,488
Total cash receipts	<u>5,806,756</u>	<u>5,727,566</u>

- Continued

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Change in Net Cash Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<u>Cash disbursements</u>		
Current:		
Instruction:		
Regular	\$ 2,610,947	\$ 2,674,070
Special	421,300	432,105
Vocational	244	862
Support services:		
Pupil	221,413	196,979
Instructional staff	248,661	305,967
Board of education	13,190	12,218
Administration	339,090	379,114
Fiscal	283,129	311,353
Operations and maintenance	454,934	526,596
Pupil transportation	200,086	188,751
Central	350	350
Operation of non-instructional services:		
Food service operations	230,186	227,839
Extracurricular activities	203,623	212,816
Facilities acquisition and construction	25,123	19,421
Debt service:		
Principal retirement	227,154	259,359
Interest and fiscal charges	<u>124,643</u>	<u>148,444</u>
Total cash disbursements	<u>5,604,073</u>	<u>5,896,244</u>
Change in net cash position	202,683	(168,678)
Net cash position at beginning of year	<u>885,773</u>	<u>1,054,451</u>
Net cash position at end of year	<u>\$ 1,088,456</u>	<u>\$ 885,773</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$202,683. Total governmental cash disbursements of \$5,604,073 were offset by program cash receipts of \$1,374,856 and general cash receipts of \$4,431,900. Program cash receipts supported 24.53% 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 receipts sources represent 73.77% of total governmental cash receipts. The increase in income tax receipts is due to an improving local economy.

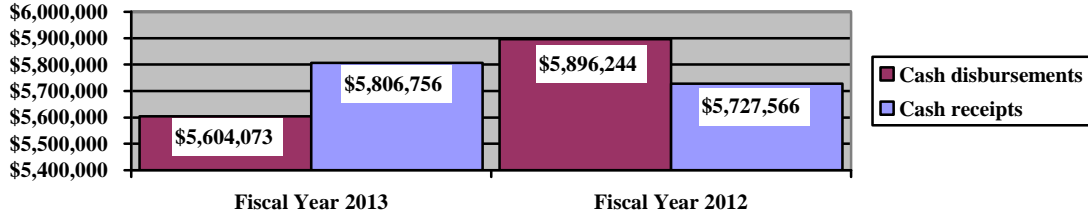
The largest cash disbursement of the District is for instructional programs. Instruction cash disbursements totaled \$3,032,491 or 54.11% of total governmental cash disbursements for fiscal year 2013.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2013 and 2012.

Governmental Activities - Cash Receipts and Cash Disbursements



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 2013 and 2012. That is, it identifies the cost of these services supported by tax receipts and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Program cash disbursements				
Instruction:				
Regular	\$ 2,610,947	\$ 1,930,313	\$ 2,674,070	\$ 1,917,240
Special	421,300	166,858	432,105	211,741
Vocational	244	(1,305)	862	(687)
Support services:				
Pupil	221,413	145,526	196,979	164,042
Instructional staff	248,661	227,979	305,967	299,802
Board of education	13,190	10,825	12,218	12,218
Administration	339,090	339,090	379,114	379,114
Fiscal	283,129	283,129	311,353	311,353
Operations and maintenance	454,934	454,934	526,596	526,596
Pupil transportation	200,086	195,989	188,751	186,430
Central	350	350	350	350
Operation of non-instructional services:				
Food service operations	230,186	7,397	227,839	14,686
Extracurricular activities	203,623	91,212	212,816	69,106
Facilities acquisition and construction	25,123	25,123	19,421	19,421
Debt service:				
Principal retirement	227,154	227,154	259,359	259,359
Interest and fiscal charges	<u>124,643</u>	<u>124,643</u>	<u>148,444</u>	<u>148,444</u>
Total cash disbursements	\$ 5,604,073	\$ 4,229,217	\$ 5,896,244	\$ 4,519,215

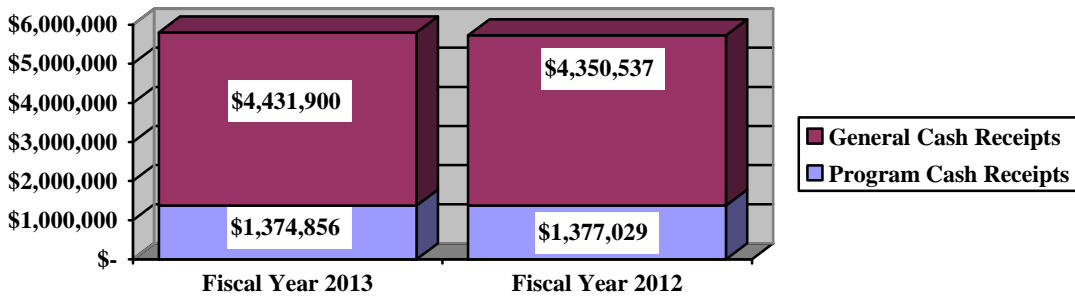
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The dependence upon tax and other general cash receipts for governmental activities is apparent, 69.11% of instruction activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 75.47%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio 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 2013 and 2012.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$1,088,456, which is \$202,683, more than last year's total fund cash balance of \$885,773. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012.

	Fund Cash Balance June 30, 2013	Fund Cash Balance June 30, 2012	Increase	Percentage Change
General	\$ 698,302	\$ 637,703	\$ 60,599	9.50 %
Bond retirement	291,946	231,019	60,927	26.37 %
Nonmajor governmental	98,208	17,051	81,157	475.97 %
Total	<u>\$ 1,088,456</u>	<u>\$ 885,773</u>	<u>\$ 202,683</u>	22.88 %

General Fund

The District's general fund cash balance increased \$60,599. The increase in fund cash balance can be attributed to various items related to cash receipts outpacing cash disbursements and other financing uses during fiscal year 2013.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 1,741,563	\$ 1,661,162	\$ 80,401	4.84 %
Tuition	542,743	589,913	(47,170)	(8.00) %
Earnings on investments	204	197	7	3.55 %
Intergovernmental	2,196,222	2,240,006	(43,784)	(1.95) %
Other receipts	<u>195,564</u>	<u>151,492</u>	<u>44,072</u>	29.09 %
Total	<u>\$ 4,676,296</u>	<u>\$ 4,642,770</u>	<u>\$ 33,526</u>	0.72 %
<u>Cash disbursements</u>				
Instruction	\$ 2,834,957	\$ 2,795,331	\$ 39,626	1.42 %
Support services	1,635,583	1,803,092	(167,509)	(9.29) %
Extracurricular activities	100,619	104,084	(3,465)	(3.33) %
Facilities acquisition and construction	-	6,999	(6,999)	(100.00) %
Debt service	<u>26,544</u>	<u>24,331</u>	<u>2,213</u>	9.10 %
Total	<u>\$ 4,597,703</u>	<u>\$ 4,733,837</u>	<u>\$ (136,134)</u>	(2.88) %

Overall cash receipts of the general fund increased \$33,526 or 0.72% during fiscal year 2013. The increase in taxes in the amount of \$80,401 or 4.84% is primarily due to an improving local economy that has resulted in increased income tax receipts from District residents. Tuition decrease of \$47,170 is mainly due to decreases in enrollment. The decrease in intergovernmental receipts in the amount of \$43,784 or 1.95% is mainly due to a decrease in receipts received from the State. Other receipts increased \$44,072 due mainly to excess costs received by the District. All other changes in the cash receipt classifications are not significant in dollar amount.

Overall cash disbursements of the general fund decreased \$136,134 or 2.88% during fiscal year 2013. The decrease in support services of \$167,509 or 9.29% was due to a decrease in disbursements in instructional staff, administration, fiscal, operations and maintenance and pupil transportation costs.

Bond Retirement Fund

The bond retirement fund had \$391,461 in cash receipts and \$330,534 in cash disbursements. During fiscal year 2013, the bond retirement fund's fund cash balance increased \$60,927 from \$231,019 to \$291,946.

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 \$4,572,268 were equal to the final budgeted receipts. Actual receipts and other financing sources for fiscal year 2013 were \$4,662,929. This represents a \$90,661 increase from final budgeted receipts and other financing sources.

General fund original budgeted disbursements of \$4,621,349 were equal to the final budgeted disbursements. The actual budget basis disbursements and other financing uses for fiscal year 2013 totaled \$4,718,816, which was \$97,467 more than the final budgeted amounts.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 \$25,123 during fiscal year 2013.

Debt Administration

At June 30, 2013, the District had \$3,135,000 in current interest bonds, \$118,793 in capital appreciation bonds, \$312,027 in accreted interest and \$75,701 in capital lease obligations. Of this total, \$211,823 is due within one year and \$3,429,698 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
Current interest bonds	\$ 3,135,000	\$ 3,170,000
Capital appreciation bonds	118,793	135,000
Accreted interest	312,027	368,171
Capital lease obligations	<u>75,701</u>	<u>97,855</u>
Total	<u>\$ 3,641,521</u>	<u>\$ 3,771,026</u>

At June 30, 2013, the District's overall legal debt margin was \$2,511,478 and an unvoted debt margin of \$60,815.

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

Current Financial Related Activities

The District must remain vigilant, but believes they have are on the verge of significantly strengthening their fiscal status. As the preceding information shows, the District relies heavily on property taxes to fund operations, but has diversified through the passage of a 1.00% earned income tax which took effect on January 1, 2010 and another 0.50% earn income tax which takes effect January 1, 1014. The 0.50% EIT will only be for 5 years and then the need will be reviewed. The overall estimated revenues for the 1.0% EIT was approximately \$430,000 but were around \$475,000 for fiscal year 2012 and further grew to \$519,000 in fiscal year 2013. The District allowed a 7.5 mil, 5 year limited property tax to roll off when this income tax began. The District is now, essentially, at the 20 mil floor. A loss of state funding, particularly over \$200k in a two year period from the reduction by the state in TPP, Hold Harmless Payments, along with other state budget challenges were the main reasons for the additional 0.50% EIT.

The long term impact of the elimination of the personal property tax has had an adverse effect on the financial health of the District, but fiscal year 2014 is expected to be another year of growth for real estate receipts. While in the short term the budget bill included provisions for replacement of lost personal property tax revenue, the replacement was only temporary and, as previously mentioned, have begun to be reduced. The amount of the replacement funds for the District is approximately 12.50 mils.

**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The District successfully updated its permanent improvement levy, passing a 1.0 mil replacement levy in May of 2010. The District must still carefully evaluate each program, staffing need and significant expenditure it plans for the near future. Headcount has been reduced by 8 FTE since 2004 (Approx. 10%) and all employees took a 2 year freeze in wages in the 2 year contract ending in July of 2013. The most recent contract signed for the next 2 years further strengthens the District's financial controls as all employees agreed to a flat lump sum increase in year 1 of the 2 year contract. This amount is equal to 1.5% of total salaries. The 2nd year allows the district to take that same concept and amount and employees are provided a mix of salary increase or lump sum, dependent on years of service. This positions the district for mandated changes coming in performance evaluations and strengthens cost avoidance potential on rising salaries.

Another equally challenging situation is the District's enrollment. The District's enrollment, which had seen declines in the early part of the decade stabilized in fiscal year 2006 and actually experienced growth in fiscal year 2007 of 18-20 students. In fiscal years 2008 and 2009, the District lost a minimal amount of students. However, enrollment gains occurred in fiscal year 2010 and 2011, as successive classes of 60 and 50 students are well above the rounded average of 41 students per level. Enrollment was relatively flat in 2012 and 2013. The district's academic test results continue to climb, creating an optimistic outlook that enrollment will again begin to climb and current staff and facilities will be maximized.

A decrease in expenditures and lower than estimated cost of health insurance resulted in a slight, but positive cash flow in fiscal year 2010, but larger than expected expenditures for special academic programs, such as those at the Education Service Center, as well as impacted revenues from earned income tax collections still in their infancy, created a situation in 2011 where expenditures outpaced revenues. Fiscal year 2012 continued this trend, especially due to the loss of hold harmless revenue. The Board of Education has remained active in managing cost, with a focus on salaries and benefits. As a result, fiscal year 2013 was impressive in terms of cost control. On-going energy management initiatives created a positive reduction in utility costs of over \$100,000 for fiscal year 2013. These reductions are sustainable.

A very positive development has occurred with a local community group that has taken the initiative to actively encourage new housing development in the village to help the school population. Due to this endeavor, a new housing development was started with 6 new houses which were constructed as of the June 30, 2008 report. This development slowed in fiscal year 2010, but all the houses currently have owners or tenants and another street has been added with additional houses now finished. The group is very early in its endeavor, so the long term results are yet to be seen.

Future revenue now appears to be positive. While a Wind Turbine project that had significant revenue potential has been shut down, all other revenue sources appear on the upswing. Early returns in July of 2013 continue to show growth in both real estate and earned income receipts.

In conclusion, the District's will remain focused on managing cost, but fiscal year 13 was a great year in terms of turning things around and a conservative optimism has returned as a result of these efforts.

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, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 1,088,456
Total assets.	1,088,456
 Net position:	
Restricted for:	
Capital projects	89,857
Debt service.	291,946
Locally funded programs	1,252
State funded programs.	485
Student activities	53,977
Other purposes	29,141
Unrestricted	621,798
Total net position.	\$ 1,088,456

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, 2013

	<u>Cash</u>	<u>Program Cash Receipts</u>		<u>Net (Disbursements)</u>
		<u>Disbursements</u>	<u>Charges for</u>	<u>Operating Grants</u>
		<u>Services and Sales</u>	<u>and Contributions</u>	<u>Changes in</u>
				<u>Net Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Governmental activities:				
Instruction:				
Regular	\$ 2,610,947	\$ 570,989	\$ 109,645	\$ (1,930,313)
Special	421,300	3,905	250,537	(166,858)
Vocational	244	-	1,549	1,305
Support services:				
Pupil	221,413	-	75,887	(145,526)
Instructional staff	248,661	-	20,682	(227,979)
Board of education	13,190	2,365	-	(10,825)
Administration	339,090	-	-	(339,090)
Fiscal	283,129	-	-	(283,129)
Operations and maintenance	454,934	-	-	(454,934)
Pupil transportation	200,086	-	4,097	(195,989)
Central	350	-	-	(350)
Operation of non-instructional services:				
Food service operations	230,186	112,651	110,138	(7,397)
Extracurricular activities	203,623	107,600	4,811	(91,212)
Facilities acquisition and construction	25,123	-	-	(25,123)
Debt service:				
Principal retirement	227,154	-	-	(227,154)
Interest and fiscal charges	124,643	-	-	(124,643)
Total governmental activities	<u>\$ 5,604,073</u>	<u>\$ 797,510</u>	<u>\$ 577,346</u>	<u>(4,229,217)</u>

General Cash Receipts:

Property taxes levied for:	
General purposes	1,222,593
Debt service	298,565
Capital outlay	50,283
Income taxes levied for:	
General purposes	518,970
Grants and entitlements not restricted to specific programs	2,193,405
Investment earnings	204
Miscellaneous	147,880
Total general cash receipts	<u>4,431,900</u>
Change in net position	202,683
Net position at beginning of year	<u>885,773</u>
Net position at end of year	<u>\$ 1,088,456</u>

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, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash assets:				
Equity in pooled cash and cash equivalents. . . .	\$ 684,883	\$ 291,946	\$ 98,208	\$ 1,075,037
Restricted cash assets:				
Equity in pooled cash and cash equivalents. . . .	13,419	-	-	13,419
Total assets	<u>\$ 698,302</u>	<u>\$ 291,946</u>	<u>\$ 98,208</u>	<u>\$ 1,088,456</u>
Fund balances:				
Restricted:				
Debt service	\$ -	\$ 291,946	\$ -	\$ 291,946
Capital improvements	-	-	89,857	89,857
Food service operations	-	-	15,722	15,722
Other purposes.	-	-	1,737	1,737
Extracurricular.	-	-	53,977	53,977
School bus purchases.	13,419	-	-	13,419
Committed:				
Other purposes.	-	-	4,362	4,362
Assigned:				
Student instruction	74,945	-	-	74,945
Student and staff support.	43,444	-	-	43,444
Other purposes.	1,869	-	-	1,869
Unassigned (deficit)	564,625	-	(67,447)	497,178
Total fund cash balances	<u>\$ 698,302</u>	<u>\$ 291,946</u>	<u>\$ 98,208</u>	<u>\$ 1,088,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 1,222,593	\$ 298,565	\$ 50,283	\$ 1,571,441
Income taxes	518,970	-	-	518,970
Tuition	542,743	-	-	542,743
Earnings on investments	204	-	-	204
Charges for services	-	-	112,651	112,651
Extracurricular	15,533	-	92,067	107,600
Classroom materials and fees	32,151	-	-	32,151
Contributions and donations	30,299	-	4,811	35,110
Other local receipts	117,581	-	19,209	136,790
Intergovernmental - state	2,178,728	92,896	19,415	2,291,039
Intergovernmental - federal	17,494	-	440,563	458,057
Total cash receipts	<u>4,676,296</u>	<u>391,461</u>	<u>738,999</u>	<u>5,806,756</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,525,292	-	85,655	2,610,947
Special	309,421	-	111,879	421,300
Vocational	244	-	-	244
Support services:				
Pupil	152,454	-	68,959	221,413
Instructional staff	237,740	-	10,921	248,661
Board of education	9,990	-	3,200	13,190
Administration	339,090	-	-	339,090
Fiscal	276,987	5,281	861	283,129
Operations and maintenance	419,236	-	35,698	454,934
Pupil transportation	200,086	-	-	200,086
Central	-	-	350	350
Operation of non-instructional services:				
Food service operations	-	-	230,186	230,186
Extracurricular activities	100,619	-	103,004	203,623
Facilities acquisition and construction	-	-	25,123	25,123
Debt service:				
Principal retirement	22,154	205,000	-	227,154
Interest and fiscal charges	4,390	120,253	-	124,643
Total cash disbursements	<u>4,597,703</u>	<u>330,534</u>	<u>675,836</u>	<u>5,604,073</u>
Excess of cash receipts over cash disbursements	<u>78,593</u>	<u>60,927</u>	<u>63,163</u>	<u>202,683</u>
Other financing sources (uses):				
Transfers in	-	-	17,994	17,994
Transfers (out)	(17,994)	-	-	(17,994)
Total other financing sources (uses)	<u>(17,994)</u>	<u>-</u>	<u>17,994</u>	<u>-</u>
Net change in fund cash balances	60,599	60,927	81,157	202,683
Fund cash balances at beginning of year . . .	<u>637,703</u>	<u>231,019</u>	<u>17,051</u>	<u>885,773</u>
Fund cash balances at end of year	<u>\$ 698,302</u>	<u>\$ 291,946</u>	<u>\$ 98,208</u>	<u>\$ 1,088,456</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 1,199,547	\$ 1,199,547	\$ 1,222,593	\$ 23,046
Income taxes.	509,187	509,187	518,970	9,783
Tuition.	532,512	532,512	542,743	10,231
Earnings on investments	200	200	204	4
Classroom materials and fees	31,545	31,545	32,151	606
Contributions and donations	29,088	29,088	29,647	559
Other local receipts	115,365	115,365	117,581	2,216
Intergovernmental - state	2,137,660	2,137,660	2,178,728	41,068
Intergovernmental - federal	17,164	17,164	17,494	330
Total revenues	<u>4,572,268</u>	<u>4,572,268</u>	<u>4,660,111</u>	<u>87,843</u>
Cash disbursements:				
Current:				
Instruction:				
Regular	2,578,669	2,578,669	2,623,015	(44,346)
Special.	310,663	310,663	316,005	(5,342)
Vocational.	240	240	244	(4)
Support services:				
Pupil.	151,661	151,661	154,269	(2,608)
Instructional staff	234,882	234,882	238,921	(4,039)
Board of education	9,864	9,864	10,034	(170)
Administration.	339,644	339,644	345,485	(5,841)
Fiscal	274,787	274,787	279,513	(4,726)
Operations and maintenance.	430,847	430,847	438,256	(7,409)
Pupil transportation	205,764	205,764	209,302	(3,538)
Extracurricular activities.	84,328	84,328	85,778	(1,450)
Total cash disbursements	<u>4,621,349</u>	<u>4,621,349</u>	<u>4,700,822</u>	<u>(79,473)</u>
Excess of cash disbursements over cash receipts	<u>(49,081)</u>	<u>(49,081)</u>	<u>(40,711)</u>	<u>8,370</u>
Other financing sources (uses):				
Refund of prior year's disbursements	-	-	2,818	2,818
Transfers (out).	-	-	(17,994)	(17,994)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(15,176)</u>	<u>(15,176)</u>
Net change in fund balance	(49,081)	(49,081)	(55,887)	(6,806)
Fund cash balance at beginning of year . .	584,850	584,850	584,850	-
Prior year encumbrances appropriated . .	49,081	49,081	49,081	-
Fund cash balance at end of year	<u>\$ 584,850</u>	<u>\$ 584,850</u>	<u>\$ 578,044</u>	<u>\$ (6,806)</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 FUNDS
JUNE 30, 2013

	Agency
Assets:	
Current assets:	
Equity in pooled cash and cash equivalents.	\$ 37,835
Total assets.	\$ 37,835
Net position:	
Due to students.	\$ 37,835
Total net position.	\$ 37,835

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, 2013

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 21 non-certificated employees, 44 certified full-time teaching personnel and three administrative employees to provide services to 518 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). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the 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, 2013**

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)

WOCO is a jointly governed organization 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 twelve months financial contributions. WOCO is governed by a board of directors consisting of superintendents of the members school districts. The degree of control exercised by any participating school district is limited to its representation on the board. 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 \$45,425 to WOCO during fiscal year 2013. 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 1831 Harshman Road, Dayton, Ohio 45424.

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 twenty-one representatives of SOITA member schools or institutions. Nineteen 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, 2013**

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 Instruction Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

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 of eight teachers, one building principal, one superintendent, one treasurer, and one administrator employed by the Shelby County Educational Service Center with terms 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 Shelby County 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 Schools serves as 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 and the Shelby County Educational Service Center. This 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 acts together to 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 provider Anthem and Community National Assurance Company. The Group is governed by an administrative committee consisting of the superintendent from each participating school district and the service center.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

The PFL's business and affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the Property, Fleet, and Liability Program 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 1831 Harshman Road, Dayton, Ohio 45424.

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 entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

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

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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash assets and changes in net cash assets. 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. The District does not have any trust funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency fund 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 or other non-exchange transactions.

The statement of net position – cash basis presents the cash balance of the governmental activities of the District at fiscal year end. 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 fund 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
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered 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 in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

As of June 30, 2013, the District did not report any investments.

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. Interest receipts credited to the general fund during fiscal year 2013 amounted to \$204, which includes \$70 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.

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 and Sick Leave

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

I. Long-Term Obligations

Bonds, capital leases and other long-term obligations are not recognized as a liability 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 debt principal and interest payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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.

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 enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. The District did not have any net cash position restricted by enabling legislation at June 30, 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Interfund Balances

On 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 governmental activities column on the statement of net position. The District made no advances during fiscal year 2013.

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.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside for school bus purchases. This restriction is required by State statute. A schedule of restricted assets is presented in Note 15.

Q. Receipts and Disbursements

In the statements of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and operating grants and contributions. All other governmental receipts, including bond proceeds and premiums when applicable, are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 3 -ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 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, liabilities, 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.
- ii.* The District did not timely certify certain expenditures, contrary to Ohio Revised Code Section 5705.41(D).

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the District had \$150 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$1,126,141. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$250,755 of the District’s bank balance of \$1,207,416 was covered by the FDIC, while \$956,661 was exposed to custodial risk as discussed below.

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

C. Reconciliation of Cash to the Statement of Net Position - Cash Basis

The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position - cash basis as of June 30, 2013:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 1,126,141
Cash on hand	<u>150</u>
Total	<u>\$ 1,126,291</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 1,088,456
Agency fund	<u>37,835</u>
Total	<u>\$ 1,126,291</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 receipts, disbursements and changes in fund balance - budget and actual (budget 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 or committed 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).

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:

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ (55,887)
Funds budgeted elsewhere	1,344
Adjustment for encumbrances	115,142
Cash basis	<u>\$ 60,599</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, adult education fund and the public school support fund.

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund statements:

Transfers to nonmajor governmental fund from:	<u>Amount</u>
General fund	<u>\$ 17,994</u>

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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.

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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, 2013, are available to finance fiscal year 2013 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 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 53,491,090	96.04	\$ 58,440,020	96.10
Public utility personal	<u>2,207,720</u>	<u>3.96</u>	<u>2,374,700</u>	<u>3.90</u>
Total	<u>\$ 55,698,810</u>	<u>100.00</u>	<u>\$ 60,814,720</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 45.70		\$ 45.70	

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. 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 \$518,970 were credited to the general fund in fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2013, the following changes occurred in the District's long-term obligations:

	Balance Outstanding			Balance Outstanding		Amounts Due in
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>One Year</u>	
Governmental activities:						
School improvement bonds:						
Capital appreciation bonds	\$ 40,000	\$ -	\$ (16,207)	\$ 23,793	\$ 13,140	
Accretion on capital bonds	340,844	67,840	(153,793)	254,891	140,395	
Series 2011 refunding bonds:						
Current interest bonds	3,170,000	-	(35,000)	3,135,000	35,000	
Capital appreciation bonds	95,000	-	-	95,000	-	
Accretion on capital bonds	27,327	29,809	-	57,136	-	
Capital lease obligations	<u>97,855</u>	<u>-</u>	<u>(22,154)</u>	<u>75,701</u>	<u>23,288</u>	
Total long-term obligations	<u>\$ 3,771,026</u>	<u>\$ 97,649</u>	<u>\$ (227,154)</u>	<u>\$ 3,641,521</u>	<u>\$ 211,823</u>	

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

Jackson Center Local School Improvement Bonds (2001) - During 2001, the District issued \$4,779,997 in voted general obligation bonds for the purpose of constructing improvements and additions to existing school buildings and providing furnishings, equipment, and site development. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$1,400,000, \$3,340,000 and \$40,000. The bonds are retired from the bond retirement fund, with a portion of the proceeds of a 5.5 mill voted property tax levy.

The capital appreciation bonds bear interest, compounded semi-annually on June 1 and December 1 (the "Interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The capital appreciation bonds will mature in fiscal years 2013 through 2015. The maturity amount of the capital appreciation bonds is \$510,000 with \$470,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2013 is \$254,891.

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 general obligation 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

This refunding issue is comprised of both current interest bonds and capital appreciation bonds, in the amount 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 will be retired through 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, 2013 is \$57,136.

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

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30,	General Obligation Current Interest Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 35,000	\$ 119,552	\$ 154,552	\$ 13,140	\$ 156,860	\$ 170,000
2015	40,000	118,752	158,752	10,653	159,347	170,000
2016	210,000	115,677	325,677	-	-	-
2017	215,000	110,096	325,096	-	-	-
2018	-	107,140	107,140	52,664	172,336	225,000
2019 - 2023	940,000	469,405	1,409,405	42,336	182,664	225,000
2024 - 2028	1,380,000	222,943	1,602,943	-	-	-
2029	315,000	7,088	322,088	-	-	-
Total	<u>\$ 3,135,000</u>	<u>\$ 1,270,653</u>	<u>\$ 4,405,653</u>	<u>\$ 118,793</u>	<u>\$ 671,207</u>	<u>\$ 790,000</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, 2013, are a voted debt margin of \$2,511,478 (including available funds of \$291,946) and an unvoted debt margin of \$60,815.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - CAPITAL LEASES

During fiscal year 2013, the District did not enter into any new capital leases. Capital lease payments for current lease 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 2013 totaled \$22,154 and \$4,390, respectively, and were paid by the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 26,544
2015	26,544
2016	26,543
2017	<u>2,212</u>
Total minimum lease payments	81,843
Less: amount representing interest	<u>(6,142)</u>
Total	<u>\$ 75,701</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 2013, 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</u>	<u>Deductible</u>
		<u>Coverage</u>	
Property	Selective Insurance Company	\$ 1,000,000	\$1,000
General Liability	Selective Insurance Company	1,000,000/3,000,000	-
Liability, fleet & property	Selective Insurance Company		
Each occurrence		1,000,000	-
Aggregate		3,000,000	-
Excess property:	Travelers Indemnity Company	350,000,000	-
School Board Legal Liability	National Union Fire Insurance Company	1,000,000	-
Excess Liability	Lexington Insurance Company	5,000,000	-

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, 2013

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 GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the Cooperative 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 2013, the District participated in the Shelby County Schools 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 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$75,510, \$82,179 and \$79,928, respectively; 72.11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$268,235, \$284,466 and \$279,498, respectively; 84.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$10,628, \$13,582 and \$19,304, respectively; 72.11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$4,265, \$4,853 and \$5,144, respectively; 72.11 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$20,633, \$21,882 and \$21,500, respectively; 84.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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 offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 15 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	92,120
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying disbursements	(114,938)
Excess qualified disbursements from prior years	-
Current year offsets	(63,509)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (86,327)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

During fiscal year 2002, the District issued \$4,780,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond 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 bond proceeds that may be used as an offset in future periods, which was \$4,325,449 at June 30, 2013.

In addition to the above statutory set-aside, the District also has monies restricted for school bus purchases recorded in the general fund. A schedule of the restricted assets at June 30, 2013 follows:

Amount restricted for school bus purchases	<u>\$ 13,419</u>
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**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 16 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 115,281
Nonmajor governmental funds	<u>12,392</u>
Total	<u>\$ 127,673</u>



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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 of America and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Jackson Center Local School District's basic financial statements and have issued our report thereon dated October 31, 2014, 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.

Board of Education
Jackson Center Local School District

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, providing an opinion 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 two instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses at items 2013-001 and 2013-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Jackson Center Local School District's management in a separate letter dated October 31, 2014.

Jackson Center Local School District's Responses to Findings

The Jackson Center Local School District's responses to the findings identified in our audit are 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 communication is not suitable for any other purpose.



Julian & Grube, Inc.
October 31, 2014

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2013-001

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 interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2013 and made the decision that the significant dollars saved, outweighed the benefit received.

Finding Number	2013-001
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 50% of examined disbursements that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the disbursement of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection and or a "Then & Now" certification is approved on the purchase order.

Client Response: The District will attempt to timely certify all expenditures in the future.

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

**STATUS OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2012-JCLSD-001	<u>Noncompliance:</u> Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(B) required the District to prepare its annual financial report in accordance with GAAP, however, the District prepared its annual financial report with the cash basis of accounting in a report format similar to the requirements in GASB Statement No. 34.	No	Repeated as finding 2013-001
2012-JCLSD-002	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding 2013-002



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Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board solely to assist the Board in evaluating whether the Jackson Center Local School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on June 18, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.

Julian & Grube, Inc.
October 31, 2014

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Dave Yost • Auditor of State

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
DECEMBER 16, 2014**