



Certified Public Accountants, A.C.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY
Single Audit
For the Fiscal Year Ended June 30, 2018**

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OHIO AUDITOR OF STATE KEITH FABER



Board of Education
Jonathan Alder Local School District
9200 U.S. Route 42 South
Plain City, Ohio 43064

We have reviewed the *Independent Auditor's Report* of the Jonathan Alder Local School District, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period July 1, 2017 through June 30, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2019

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

December 31, 2018

Jonathan Alder Local School District
Madison County
9200 U.S. Route 42 South
Plain City, Ohio 43064

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 **Jonathan Alder Local School District**, Madison County, Ohio (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jonathan Alder Local School District, Madison County, Ohio, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2018, the District adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* and schedules of net pension and postemployment benefits liabilities and pension and postemployment benefits contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities increased \$11,161,011 which represents a 168.98% increase from 2017's restated net position.
- General revenues accounted for \$21,944,168 in revenue or 83.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,433,853 or 16.81% of total revenues of \$26,378,021.
- The District had \$15,217,010 in expenses related to governmental activities; \$4,433,853 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,944,168 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 \$22,020,373 in revenues and \$20,585,929 in expenditures. During fiscal year 2018, the general fund balance increased \$1,434,444 from a balance of \$7,041,757 to a balance of \$8,476,201.
- The bond retirement fund had revenues and other financing sources of \$9,345,218 and expenditures and other financing uses of \$9,190,957. During fiscal year 2018, the District issued Series 2017 refunding bond. The bond retirement fund balance increased \$154,261 from a balance of \$2,258,261 to a balance of \$2,412,522.

Using the Basic Financial Statements

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 13. 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 bond retirement fund.

Governmental Funds

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

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for medical/surgical and dental self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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. The District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-72 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability and net OPEB liability. The required supplementary information can be found on pages 74 through 87 of this report.

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**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

| | Net Position of Governmental Activities | |
|--|--|--------------------------|
| | <u>2018</u> | <u>Restated 2017</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 22,496,122 | \$ 20,453,102 |
| Capital assets, net | <u>44,790,317</u> | <u>46,341,847</u> |
| Total assets | <u>67,286,439</u> | <u>66,794,949</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Unamortized deferred charges on debt refunding | 208,172 | 287,053 |
| Pension | 9,258,941 | 8,148,044 |
| OPEB | <u>351,123</u> | <u>40,609</u> |
| Total deferred outflows of resources | <u>9,818,236</u> | <u>8,475,706</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 2,752,822 | 2,796,847 |
| Long-term liabilities: | | |
| Due within one year | 1,045,936 | 990,441 |
| Due in more than one year: | | |
| Net pension liability | 25,458,210 | 34,535,605 |
| Net OPEB liability | 5,539,159 | 6,793,905 |
| Other amounts | <u>16,542,945</u> | <u>17,581,057</u> |
| Total liabilities | <u>51,339,072</u> | <u>62,697,855</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Property taxes levied for next year | 5,987,567 | 5,567,334 |
| PILOTs levied for the next year | 399,878 | 233,070 |
| Pension | 984,119 | 167,417 |
| OPEB | <u>628,049</u> | <u>-</u> |
| Total deferred inflows of resources | <u>7,999,613</u> | <u>5,967,821</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 28,397,455 | 28,987,204 |
| Restricted | 3,791,216 | 3,549,469 |
| Unrestricted (deficit) | <u>(14,422,681)</u> | <u>(25,931,694)</u> |
| Total net position | <u>\$ 17,765,990</u> | <u>\$ 6,604,979</u> |

The net pension liability (NPL) is the largest single liability reported by the District at June 30, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2018, the School District adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the District is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2017, from \$13,358,275 to \$6,604,979.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

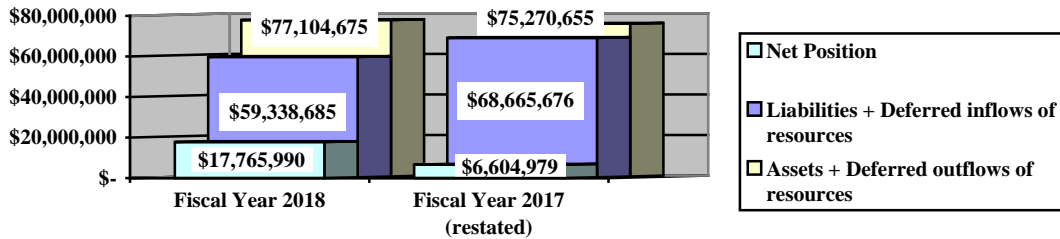
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2018, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$17,765,990.

Current and other assets increased as cash receipts continue to exceed cash disbursements in fiscal year 2018 and the District has reported a receivable for a revenue in lieu of taxes from a Franklin County Tax Increment Financing (TIF). Long-term liabilities decreased as a result of a decrease in the net pension liability discussed above. The decrease in net pension liability is outside of the control of the District. The District contributes its statutorily required contributions to the pension systems; however, it's the pension systems that collect, hold and distribute pensions to District employees, not the District.

At fiscal year-end, capital assets represented 66.57% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2018, was \$28,397,455. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. A portion of the District's net position, \$3,791,216, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$14,422,681. The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and June 30, 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

Governmental Activities



**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

The table below shows the change in net position for fiscal year 2018 and 2017. The net position at June 30, 2017 has been restated as described in Note 3.A.

| | Change in Net Position | |
|--|------------------------------------|--|
| | Governmental Activities 2018 | Restated Governmental Activities 2017 |
| <u>Revenues</u> | | |
| Program revenues: | | |
| Charges for services and sales | \$ 2,227,536 | \$ 2,112,893 |
| Operating grants and contributions | 2,206,317 | 2,442,756 |
| General revenues: | | |
| Property taxes | 8,676,121 | 8,953,894 |
| Income taxes | 3,945,558 | 3,898,735 |
| Revenue in lieu of taxes | 332,418 | 130,762 |
| Grants and entitlements | 8,698,830 | 8,692,550 |
| Investment earnings | 131,222 | 42,928 |
| Other | 160,019 | 208,742 |
| Total revenues | <u>26,378,021</u> | <u>26,483,260</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 5,614,169 | \$ 12,007,299 |
| Special | 1,382,152 | 2,316,397 |
| Other | 22,013 | 59,715 |
| Support services: | | |
| Pupil | 885,269 | 1,655,796 |
| Instructional staff | 756,526 | 1,217,123 |
| Board of education | 50,053 | 55,235 |
| Administration | 1,188,894 | 2,271,281 |
| Fiscal | 467,187 | 502,273 |
| Operations and maintenance | 2,011,035 | 2,611,726 |
| Pupil transportation | 862,784 | 1,334,546 |
| Operation of non-instructional services: | | |
| Food service operations | 1,090,394 | 1,377,176 |
| Other non-instructional services | 4,197 | 64,430 |
| Extracurricular activities | 450,654 | 744,116 |
| Interest and fiscal charges | 431,683 | 736,073 |
| Total expenses | <u>15,217,010</u> | <u>26,953,186</u> |
| Change in net position | 11,161,011 | (469,926) |
| Net position at beginning of year (restated) | <u>6,604,979</u> | <u>N/A</u> |
| Net position at end of year | <u>\$ 17,765,990</u> | <u>\$ 6,604,979</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

Governmental Activities

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$40,609 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$883,672. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

| | |
|--|------------------------|
| Total 2018 program expenses under GASB 75 | \$ 15,217,010 |
| Negative OPEB expense under GASB 75 | 883,672 |
| 2018 contractually required contributions | <u>53,539</u> |
| Adjusted 2018 program expenses | 16,154,221 |
| Total 2017 program expenses under GASB 45 | <u>26,953,186</u> |
| Decrease in program expenses not related to OPEB | <u>\$ (10,798,965)</u> |

Expenses of the governmental activities decreased \$11,736,176 or 43.54%. This decrease is primarily the result of the State Teachers Retirement System (STRS) indefinitely suspending the Cost of Living Adjustment ("COLA") and the School Employees Retirement System (SERS) lowering the COLA from 3.00% to 2.50%. On an accrual basis, the District reported (\$7,653,915) in pension expense and (\$883,672) in OPEB expense mainly due to these benefit changes by the retirement systems. Fluctuations in the pension expense reported under GASB 68 makes it difficult to compare financial information between years. Pension expense is a component of program expenses reported on the statement of activities. To assess fluctuations in program expenses, the increase or decrease in pension expense should be factored into the analysis. Pension expense, by function, for 2018 and 2017 follows:

| | 2018 Pension Expense | 2017 Pension Expense | Increase (Decrease) |
|--|----------------------------|----------------------------|------------------------|
| Program expenses: | | | |
| Instruction: | | | |
| Regular | \$ (4,119,142) | \$ 1,672,173 | \$ (5,791,315) |
| Special | (728,698) | 295,867 | (1,024,565) |
| Other | (33,318) | 13,210 | (46,528) |
| Support services: | | | |
| Pupil | (445,861) | 210,775 | (656,636) |
| Instructional staff | (399,133) | 160,345 | (559,478) |
| Board of education | (3,944) | 341 | (4,285) |
| Administration | (712,615) | 308,990 | (1,021,605) |
| Fiscal | (53,340) | 22,211 | (75,551) |
| Operations and maintenance | (431,163) | 179,120 | (610,283) |
| Pupil transportation | (371,283) | 147,196 | (518,479) |
| Operation of non-instructional services: | | | |
| Other non-instructional services | (4,452) | 2,883 | (7,335) |
| Food service operations | (182,489) | 77,631 | (260,120) |
| Extracurricular activities | <u>(168,477)</u> | <u>10,204</u> | <u>(178,681)</u> |
| Total | <u>\$ (7,653,915)</u> | <u>\$ 3,100,946</u> | <u>\$ (10,754,861)</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

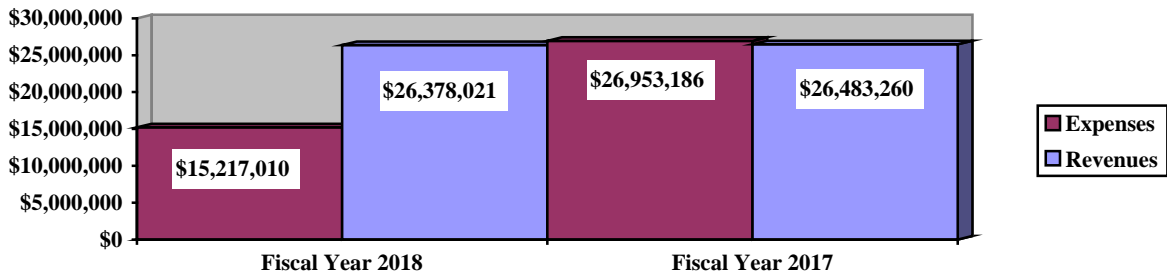
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Unaudited)**

Net position of the District's governmental activities increased \$11,161,011. Total governmental expenses of \$15,217,010 were offset by program revenues of \$4,433,853 and general revenues of \$21,944,168. Program revenues supported 29.14% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These revenue sources represent 82.09% of total governmental revenue. During fiscal year 2018, total revenues decreased \$105,239 or less than one percent. Payments in lieu of taxes increased as the District experienced a full year of receiving payments on the TIF from Franklin County. All other categories of revenue remained comparable to fiscal year 2017.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2018 and 2017.

Governmental Activities - Revenues and Expenses



**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

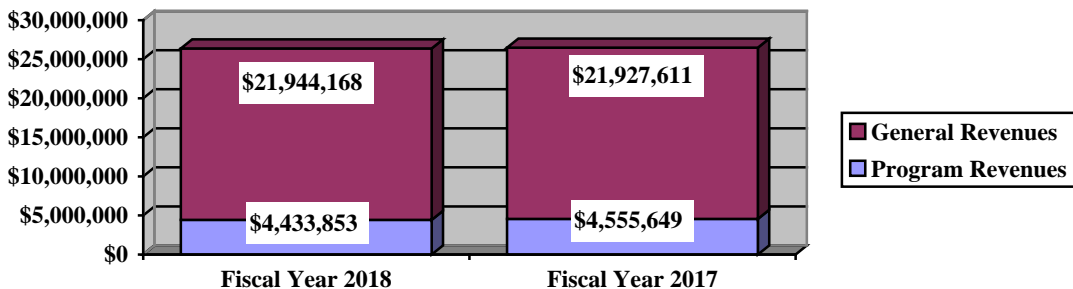
Governmental Activities

| | Total Cost of Services <u>2018</u> | Net Cost of Services <u>2018</u> | Total Cost of Services <u>2017</u> | Net Cost of Services <u>2017</u> |
|--|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 5,614,169 | \$ 4,087,338 | \$ 12,007,299 | \$ 10,449,986 |
| Special | 1,382,152 | 344,606 | 2,316,397 | 1,253,720 |
| Other | 22,013 | 22,013 | 59,715 | 59,715 |
| Support services: | | | | |
| Pupil | 885,269 | 742,648 | 1,655,796 | 1,508,928 |
| Instructional staff | 756,526 | 494,029 | 1,217,123 | 942,963 |
| Board of education | 50,053 | 50,053 | 55,235 | 55,235 |
| Administration | 1,188,894 | 1,074,549 | 2,271,281 | 2,135,461 |
| Fiscal | 467,187 | 467,187 | 502,273 | 502,273 |
| Operations and maintenance | 2,011,035 | 1,965,122 | 2,611,726 | 2,569,543 |
| Pupil transportation | 862,784 | 826,269 | 1,334,546 | 1,278,627 |
| Operation of non-instructional services: | | | | |
| Food service operations | 1,090,394 | 162,663 | 1,377,176 | 443,847 |
| Other non-instructional services | 4,197 | (1,618) | 64,430 | 50,094 |
| Extracurricular activities | 450,654 | 116,615 | 744,116 | 411,072 |
| Interest and fiscal charges | 431,683 | 431,683 | 736,073 | 736,073 |
| Total expenses | \$ 15,217,010 | \$ 10,783,157 | \$ 26,953,186 | \$ 22,397,537 |

The dependence upon tax and other general revenues for governmental activities is apparent, as 63.46% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 70.86%.

The graph below presents the District's governmental activities revenue for fiscal year 2018 and 2017.

Governmental Activities - General and Program Revenues



**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

The District's Funds

The District's governmental funds reported a combined fund balance of \$12,172,405 which is higher than last year's total of \$10,523,891. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2018 and 2017.

| | Fund Balance <u>June 30, 2018</u> | Fund Balance <u>June 30, 2017</u> | <u>Change</u> | <u>Percentage Change</u> |
|--------------------|--------------------------------------|--------------------------------------|---------------------|------------------------------|
| General | \$ 8,476,201 | \$ 7,041,757 | \$ 1,434,444 | 20.37 % |
| Bond retirement | 2,412,522 | 2,258,261 | 154,261 | 6.83 % |
| Other governmental | <u>1,283,682</u> | <u>1,223,873</u> | <u>59,809</u> | 4.89 % |
| Total | <u>\$ 12,172,405</u> | <u>\$ 10,523,891</u> | <u>\$ 1,648,514</u> | 15.66 % |

General Fund

The District's general fund balance increased \$1,434,444. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

| | 2018 <u>Amount</u> | 2017 <u>Amount</u> | Increase <u>(Decrease)</u> | <u>Percentage Change</u> |
|---|-----------------------|-----------------------|-------------------------------|------------------------------|
| <u>Revenues</u> | | | | |
| Property taxes | \$ 6,983,990 | \$ 7,033,466 | \$ (49,476) | (0.70) % |
| Income taxes | 3,945,558 | 3,852,632 | 92,926 | 2.41 % |
| Revenue in lieu of taxes | 332,418 | 130,762 | 201,656 | 154.22 % |
| Tuition | 1,099,150 | 974,629 | 124,521 | 12.78 % |
| Earnings on investments | 131,222 | 42,928 | 88,294 | 205.68 % |
| Intergovernmental | 9,074,072 | 9,032,712 | 41,360 | 0.46 % |
| Other revenues | <u>453,963</u> | <u>472,701</u> | <u>(18,738)</u> | (3.96) % |
| Total | <u>\$ 22,020,373</u> | <u>\$ 21,539,830</u> | <u>\$ 480,543</u> | 2.23 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 12,070,990 | \$ 11,657,546 | \$ 413,444 | 3.55 % |
| Support services | 8,187,913 | 7,841,924 | 345,989 | 4.41 % |
| Extracurricular activities | 322,537 | 323,076 | (539) | (0.17) % |
| Operation of non-instructional services | <u>4,489</u> | <u>48,407</u> | <u>(43,918)</u> | (90.73) % |
| Total | <u>\$ 20,585,929</u> | <u>\$ 19,870,953</u> | <u>\$ 714,976</u> | 3.60 % |

Revenues of the District's general fund increased \$480,543 or 2.23% from the prior fiscal year. Earnings on investments increased due to better interest rates and more monies invested. Revenue in lieu of taxes increased due to receiving payments related to a Franklin County TIF for the entire year. Tuition revenues increased due to increased open enrollment. All other revenues remained comparable to the prior fiscal year.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

Overall expenditures increased \$714,976 or 3.60%. Instruction expenditures increased primarily in the area of special instruction due to increased costs in educating students with special needs. Support services expenditures increased primarily in the areas of instructional staff and administration. All other expenditures remained comparable to the prior fiscal year or were insignificant in amount.

Bond Retirement Fund

The bond retirement fund had revenues and other financing sources of \$9,345,218 and expenditures and other financing uses of \$9,190,957. The bond retirement fund's fund balance increased \$154,261 from a balance of \$2,258,261 to a balance of \$2,412,522. During fiscal year 2018, the District issued \$7,345,000 in refunding bonds, received a bond premium of \$412,720, paid bond issue costs of \$110,386, and made a \$7,647,334 payment to the refunded bond escrow agent to current refund previously issued bonds. The increase in fund balance can be attributed to property taxes and state funding exceeding debt payments during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources of \$21,116,374 were increased to \$21,989,274 for the final budget. The primary areas of increase from the original budget to the final budget were in the areas of property taxes and income taxes. Actual revenues and other financing sources for fiscal year 2018 were \$22,014,847. This represents a \$25,573 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures and other financing uses) of \$20,775,018 were increased to \$20,888,971 in the final appropriations. The actual budget basis expenditures for fiscal year 2018 totaled \$20,723,173, which was \$165,798 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the District had \$44,790,317 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2018 balances compared to 2017.

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

| | Governmental Activities | |
|---------------------------|-------------------------|---------------|
| | 2018 | 2017 |
| Land | \$ 741,758 | \$ 741,758 |
| Land improvements | 1,013,642 | 1,133,514 |
| Building and improvements | 42,148,707 | 43,372,633 |
| Furniture and equipment | 399,923 | 477,071 |
| Vehicles | 486,287 | 616,871 |
| Total | \$ 44,790,317 | \$ 46,341,847 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

The overall decrease in capital assets of \$1,551,530 is due to capital outlays of \$265,088 being exceeded by depreciation expense of \$1,816,618 in the fiscal year. See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2018, the District had \$15,885,000 in general obligation bonds. Of this total, \$995,000 is due within one year and \$14,890,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2018</u> | Governmental Activities <u>2017</u> |
|--------------------------|---|---|
| General obligation bonds | \$ <u>15,885,000</u> | \$ <u>17,065,000</u> |
| Total | \$ <u><u>15,885,000</u></u> | \$ <u><u>17,065,000</u></u> |

During fiscal year 2018, the District issued Series 2017 refunding bonds to current refund Series 2007 refunding bonds. The refunding issue was undertaken to reduce future debt service payments by \$730,931 resulting in a current economic gain of \$690,259. See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District continues to improve financially as the 2018 results were slightly better than projected. The District continues to operate at a good surplus, with a strong cash reserve for current and longer-term stability. The short-term financial outlook is good and stable for the District. As with all local public-school districts, the funding mechanism in place does not provide assurances over time and is always susceptible to changes by State of Ohio initiatives, mandates, and financial health.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Aaron Johnson, Treasurer, Jonathan Alder Local School District, 9200 US Route 42 South, Plain City, Ohio 43034.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 11,139,259 |
| Receivables: | |
| Property taxes | 9,148,010 |
| Income taxes | 1,490,739 |
| Payment in lieu of taxes | 399,878 |
| Accrued interest | 5,517 |
| Intergovernmental | 275,094 |
| Prepayments | 22,495 |
| Inventory held for resale | 15,130 |
| Capital assets: | |
| Nondepreciable capital assets | 741,758 |
| Depreciable capital assets, net | 44,048,559 |
| Capital assets, net | 44,790,317 |
| Total assets | 67,286,439 |
| Deferred outflows of resources: | |
| Unamortized deferred charges on debt refunding | 208,172 |
| Pension (Note 12) | 9,258,941 |
| OPEB (Note 13) | 351,123 |
| Total deferred outflows of resources | 9,818,236 |
| Liabilities: | |
| Accounts payable | 106,469 |
| Accrued wages and benefits payable | 2,031,439 |
| Intergovernmental payable | 97,848 |
| Pension and postemployment benefits payable | 351,670 |
| Accrued interest payable | 34,571 |
| Claims payable | 130,825 |
| Long-term liabilities: | |
| Due within one year | 1,045,936 |
| Due in more than one year: | |
| Net pension liability (Note 12) | 25,458,210 |
| Net OPEB liability (Note 13) | 5,539,159 |
| Other amounts due in more than one year | 16,542,945 |
| Total liabilities | 51,339,072 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 5,987,567 |
| Payment in lieu of taxes levied for the next fiscal year | 399,878 |
| Pension (Note 12) | 984,119 |
| OPEB (Note 13) | 628,049 |
| Total deferred inflows of resources | 7,999,613 |
| Net position: | |
| Net investment in capital assets | 28,397,455 |
| Restricted for: | |
| Capital projects | 1,017,727 |
| Classroom facilities maintenance | 114,315 |
| Debt service | 2,420,060 |
| Locally funded programs | 9,531 |
| State funded programs | 48,629 |
| Federally funded programs | 51,536 |
| Student activities | 129,418 |
| Unrestricted (deficit) | (14,422,681) |
| Total net position | \$ 17,765,990 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|--|----------------------|-----------------------------------|---------------------------------------|--|
| | | Charges for Services and Sales | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,614,169 | \$ 1,118,082 | \$ 408,749 | \$ (4,087,338) |
| Special | 1,382,152 | 95,513 | 942,033 | (344,606) |
| Other | 22,013 | - | - | (22,013) |
| Support services: | | | | |
| Pupil | 885,269 | 126,841 | 15,780 | (742,648) |
| Instructional staff | 756,526 | 573 | 261,924 | (494,029) |
| Board of education | 50,053 | - | - | (50,053) |
| Administration | 1,188,894 | - | 114,345 | (1,074,549) |
| Fiscal | 467,187 | - | - | (467,187) |
| Operations and maintenance | 2,011,035 | 45,913 | - | (1,965,122) |
| Pupil transportation | 862,784 | - | 36,515 | (826,269) |
| Operation of non-instructional services: | | | | |
| Food service operations | 1,090,394 | 538,107 | 389,624 | (162,663) |
| Other non-instructional services | 4,197 | - | 5,815 | 1,618 |
| Extracurricular activities | 450,654 | 302,507 | 31,532 | (116,615) |
| Interest and fiscal charges | 431,683 | - | - | (431,683) |
| Total governmental activities | \$ 15,217,010 | \$ 2,227,536 | \$ 2,206,317 | (10,783,157) |
| General revenues: | | | | |
| Property taxes levied for: | | | | |
| General purposes | | | | 6,953,393 |
| Debt service | | | | 1,355,738 |
| Capital outlay | | | | 227,740 |
| Classroom facilities maintenance | | | | 139,250 |
| Revenue in lieu of taxes | | | | 332,418 |
| School district income tax | | | | 3,945,558 |
| Grants and entitlements not restricted to specific programs | | | | 8,698,830 |
| Investment earnings | | | | 131,222 |
| Miscellaneous | | | | 160,019 |
| Total general revenues | | | | 21,944,168 |
| Change in net position | | | | 11,161,011 |
| Net position at beginning of year (restated) | | | | 6,604,979 |
| Net position at end of year | | | | \$ 17,765,990 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

| | General | Bond Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------------|--|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents . . . | \$ 7,224,465 | \$ 1,958,839 | \$ 1,274,030 | \$ 10,457,334 |
| Receivables: | | | | |
| Property taxes | 7,275,121 | 1,487,109 | 385,780 | 9,148,010 |
| Income taxes | 1,490,739 | - | - | 1,490,739 |
| Revenue in lieu of taxes | 399,878 | - | - | 399,878 |
| Accrued interest | 5,517 | - | - | 5,517 |
| Interfund loans | 25,025 | - | - | 25,025 |
| Intergovernmental | 83,360 | - | 191,734 | 275,094 |
| Prepayments | 20,114 | - | 2,381 | 22,495 |
| Inventory held for resale | - | - | 15,130 | 15,130 |
| Total assets | <u>\$ 16,524,219</u> | <u>\$ 3,445,948</u> | <u>\$ 1,869,055</u> | <u>\$ 21,839,222</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 100,821 | \$ - | \$ 5,648 | \$ 106,469 |
| Accrued wages and benefits payable | 1,867,209 | - | 164,230 | 2,031,439 |
| Compensated absences payable | 11,543 | - | - | 11,543 |
| Intergovernmental payable | 95,773 | - | 2,075 | 97,848 |
| Pension and postemployment benefits payable | 326,961 | - | 24,709 | 351,670 |
| Interfund loans payable | - | - | 25,025 | 25,025 |
| Total liabilities | <u>2,402,307</u> | <u>-</u> | <u>221,687</u> | <u>2,623,994</u> |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year | 4,740,433 | 991,317 | 255,817 | 5,987,567 |
| Payment in lieu of taxes levied for the next fiscal year | 399,878 | - | - | 399,878 |
| Delinquent property tax revenue not available | 212,846 | 42,109 | 10,780 | 265,735 |
| Income tax revenue not available | 292,554 | - | - | 292,554 |
| Intergovernmental revenue not available | - | - | 97,089 | 97,089 |
| Total deferred inflows of resources | <u>5,645,711</u> | <u>1,033,426</u> | <u>363,686</u> | <u>7,042,823</u> |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaids | 20,114 | - | 2,381 | 22,495 |
| Restricted: | | | | |
| Debt service | - | 2,412,522 | - | 2,412,522 |
| Capital improvements | - | - | 1,006,947 | 1,006,947 |
| Classroom facilities maintenance | - | - | 114,315 | 114,315 |
| Food service operations | - | - | 8,510 | 8,510 |
| Targeted academic assistance | - | - | 10,433 | 10,433 |
| Other purposes | - | - | 59,563 | 59,563 |
| Extracurricular activities | - | - | 129,418 | 129,418 |
| Committed: | | | | |
| Underground storage tank | 11,000 | - | - | 11,000 |
| Assigned: | | | | |
| Student instruction | 16,864 | - | - | 16,864 |
| Student and staff support | 301,876 | - | - | 301,876 |
| Extracurricular activities | 7,057 | - | - | 7,057 |
| Unassigned (deficit) | 8,119,290 | - | (47,885) | 8,071,405 |
| Total fund balances | <u>8,476,201</u> | <u>2,412,522</u> | <u>1,283,682</u> | <u>12,172,405</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 16,524,219</u> | <u>\$ 3,445,948</u> | <u>\$ 1,869,055</u> | <u>\$ 21,839,222</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2018

| | | | |
|--|----|--------------|-------------------|
| Total governmental fund balances | | \$ | 12,172,405 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | | 44,790,317 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 265,735 | |
| Income taxes receivable | | 292,554 | |
| Intergovernmental receivable | | 97,089 | |
| Total | | 655,378 | 655,378 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. | | | 551,100 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (716,034) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 208,172 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (34,571) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - pension | | 9,258,941 | |
| Deferred inflows of resources - pension | | (984,119) | |
| Net pension liability | | (25,458,210) | |
| Total | | (17,183,388) | (17,183,388) |
| The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds: | | | |
| Deferred outflows of resources - OPEB | | 351,123 | |
| Deferred inflows of resources - OPEB | | (628,049) | |
| Net OPEB liability | | (5,539,159) | |
| Total | | (5,816,085) | (5,816,085) |
| Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (15,885,000) | |
| Compensated absences | | (976,304) | |
| Total | | (16,861,304) | (16,861,304) |
| Net position of governmental activities | | \$ | 17,765,990 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | <u>General</u> | <u>Bond Retirement</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|--|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 6,983,990 | \$ 1,365,898 | \$ 370,048 | \$ 8,719,936 |
| Income taxes | 3,945,558 | - | - | 3,945,558 |
| Revenue in lieu of taxes | 332,418 | - | - | 332,418 |
| Tuition | 1,099,150 | - | - | 1,099,150 |
| Earnings on investments | 131,222 | - | - | 131,222 |
| Charges for services | - | - | 538,107 | 538,107 |
| Extracurricular | 143,421 | - | 285,710 | 429,131 |
| Classroom materials and fees | 105,310 | - | - | 105,310 |
| Rental income | 45,913 | - | - | 45,913 |
| Contributions and donations | 790 | - | - | 790 |
| Contract services | 9,135 | - | - | 9,135 |
| Other local revenues | 149,394 | - | 40,706 | 190,100 |
| Intergovernmental - state | 8,993,699 | 221,600 | 69,840 | 9,285,139 |
| Intergovernmental - federal | 80,373 | - | 1,482,797 | 1,563,170 |
| Total revenues | <u>22,020,373</u> | <u>1,587,498</u> | <u>2,787,208</u> | <u>26,395,079</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 9,996,105 | - | 422,253 | 10,418,358 |
| Special | 2,008,506 | - | 331,487 | 2,339,993 |
| Other | 66,379 | - | - | 66,379 |
| Support services: | | | | |
| Pupil | 1,458,071 | - | 15,066 | 1,473,137 |
| Instructional staff | 933,821 | - | 235,636 | 1,169,457 |
| Board of education | 55,366 | - | - | 55,366 |
| Administration | 1,737,516 | - | 107,761 | 1,845,277 |
| Fiscal | 504,671 | 25,949 | 7,737 | 538,357 |
| Operations and maintenance | 2,296,118 | - | 336,870 | 2,632,988 |
| Pupil transportation | 1,202,350 | - | 14,415 | 1,216,765 |
| Operation of non-instructional services: | | | | |
| Food service operations | - | - | 966,022 | 966,022 |
| Other non-instructional services | 4,489 | - | 5,791 | 10,280 |
| Extracurricular activities | 322,537 | - | 280,945 | 603,482 |
| Facilities acquisition and construction | - | - | 3,416 | 3,416 |
| Debt service: | | | | |
| Principal retirement | - | 1,020,000 | - | 1,020,000 |
| Interest and fiscal charges | - | 387,288 | - | 387,288 |
| Bond issuance costs | - | 110,386 | - | 110,386 |
| Total expenditures | <u>20,585,929</u> | <u>1,543,623</u> | <u>2,727,399</u> | <u>24,856,951</u> |
| Excess of revenues over expenditures | <u>1,434,444</u> | <u>43,875</u> | <u>59,809</u> | <u>1,538,128</u> |
| Other financing sources (uses): | | | | |
| Premium on refunding bonds issued | - | 412,720 | - | 412,720 |
| Issuance of refunding bonds | - | 7,345,000 | - | 7,345,000 |
| Payment to bond refunding escrow agent | - | (7,647,334) | - | (7,647,334) |
| Total other financing sources (uses) | <u>-</u> | <u>110,386</u> | <u>-</u> | <u>110,386</u> |
| Net change in fund balances | 1,434,444 | 154,261 | 59,809 | 1,648,514 |
| Fund balances at beginning of year | <u>7,041,757</u> | <u>2,258,261</u> | <u>1,223,873</u> | <u>10,523,891</u> |
| Fund balances at end of year | <u>\$ 8,476,201</u> | <u>\$ 2,412,522</u> | <u>\$ 1,283,682</u> | <u>\$ 12,172,405</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | | |
|--|--------------------|--------------------------|
| Net change in fund balances - total governmental funds | \$ | 1,648,514 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 265,088 | |
| Current year depreciation | <u>(1,816,618)</u> | |
| Total | | (1,551,530) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | (43,815) | |
| Intergovernmental | <u>26,757</u> | |
| Total | | (17,058) |
| Repayment of general obligation bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | 1,020,000 |
| Issuance of refunding bonds are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position. | | (7,345,000) |
| Payment to refunded bond escrow agent for the retirement of bonds is an other financing use in the governmental funds but the payment reduces long-term liabilities in the statement of net position. Deferred charges related to bond refundings are amortized over the life of the issuance in the statement of activities. The following refunding transactions occurred during the year: | | |
| Bonds refunded | 7,505,000 | |
| Unamortized premiums on refunded bonds removed | 198,277 | |
| Unamortized deferred charges on refunded bonds removed | (202,030) | |
| Deferred charges on refundings | <u>146,087</u> | |
| Total | | 7,647,334 |
| Premiums on refunding bonds issued are recorded as an other financing source in the funds; however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net position. | | (412,720) |
| In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. | | |
| Decrease in accrued interest payable | 13,824 | |
| Amortization of bond premiums | 75,105 | |
| Amortization of deferred charges | <u>(22,938)</u> | |
| Total | | 65,991 |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 1,717,675 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | 7,653,915 |
| Contractually required OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | 53,539 |
| Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities. | | 883,672 |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | (71,514) |
| An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | <u>(131,807)</u> |
| Change in net position of governmental activities | \$ | <u>11,161,011</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 6,705,214 | \$ 7,013,655 | \$ 7,014,417 | \$ 762 |
| Income taxes. | 3,834,610 | 4,006,991 | 4,007,715 | 724 |
| Revenue in lieu of taxes. | 332,418 | 332,418 | 332,418 | - |
| Tuition. | 1,022,696 | 1,099,000 | 1,079,371 | (19,629) |
| Earnings on investments | 106,719 | 110,000 | 129,714 | 19,714 |
| Classroom materials and fees | 122,336 | 117,000 | 105,310 | (11,690) |
| Rental income | 28,869 | 30,000 | 44,713 | 14,713 |
| Contract services. | 4,769 | 8,000 | 9,135 | 1,135 |
| Other local revenues | 84,025 | 151,826 | 169,911 | 18,085 |
| Intergovernmental - state | 8,791,085 | 9,036,728 | 9,038,487 | 1,759 |
| Intergovernmental - federal | 82,756 | 82,756 | 82,756 | - |
| Total revenues | <u>21,115,497</u> | <u>21,988,374</u> | <u>22,013,947</u> | <u>25,573</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 9,942,295 | 10,066,382 | 10,050,251 | 16,131 |
| Special. | 2,088,708 | 2,027,386 | 1,989,388 | 37,998 |
| Other. | 63,187 | 64,746 | 64,746 | - |
| Support services: | | | | |
| Pupil. | 1,442,782 | 1,343,815 | 1,331,851 | 11,964 |
| Instructional staff | 910,431 | 1,133,707 | 1,124,847 | 8,860 |
| Board of education | 64,042 | 62,967 | 62,967 | - |
| Administration. | 1,790,912 | 1,752,048 | 1,747,595 | 4,453 |
| Fiscal | 496,462 | 496,248 | 492,964 | 3,284 |
| Operations and maintenance. | 2,289,933 | 2,333,507 | 2,284,214 | 49,293 |
| Pupil transportation | 1,209,216 | 1,218,506 | 1,207,478 | 11,028 |
| Operation of non-instructional services: | | | | |
| Other non-instructional services | 3,536 | 4,489 | 4,489 | - |
| Extracurricular activities. | 324,408 | 328,112 | 327,112 | 1,000 |
| Total expenditures | <u>20,625,912</u> | <u>20,831,913</u> | <u>20,687,902</u> | <u>144,011</u> |
| Excess of revenues over expenditures | <u>489,585</u> | <u>1,156,461</u> | <u>1,326,045</u> | <u>169,584</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 877 | 900 | 900 | - |
| Refund of prior year's receipts. | (49,106) | (35,542) | (35,271) | 271 |
| Advances (out) | (100,000) | (21,516) | - | 21,516 |
| Total other financing sources (uses) | <u>(148,229)</u> | <u>(56,158)</u> | <u>(34,371)</u> | <u>21,787</u> |
| Net change in fund balance | 341,356 | 1,100,303 | 1,291,674 | 191,371 |
| Fund balance at beginning of year | 5,324,309 | 5,324,309 | 5,324,309 | - |
| Prior year encumbrances appropriated | 240,009 | 240,009 | 240,009 | - |
| Fund balance at end of year | <u>\$ 5,905,674</u> | <u>\$ 6,664,621</u> | <u>\$ 6,855,992</u> | <u>\$ 191,371</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|--|--|
| Assets: | |
| Equity in pooled cash and cash equivalents . . | <u>\$ 681,925</u> |
| Liabilities: | |
| Claims payable | <u>130,825</u> |
| Net position: | |
| Unrestricted. | <u><u>\$ 551,100</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|---|--|
| Operating revenues: | |
| Charges for services. | \$ 3,352,760 |
| Operating expenses: | |
| Purchased services. | 490,732 |
| Claims | 2,993,835 |
| Total operating expenses. | 3,484,567 |
| Operating loss / change in net position | (131,807) |
| Net position at beginning of year. | 682,907 |
| Net position at end of year | \$ 551,100 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| | Governmental Activities - Internal Service Fund |
|---|--|
| Cash flows from operating activities: | |
| Cash received from charges for services | \$ 3,352,760 |
| Cash payments for purchased services | (490,732) |
| Cash payments for claims | <u>(3,055,885)</u> |
| Net cash (used in) operating activities | <u>(193,857)</u> |
| Net decrease in cash and cash equivalents | (193,857) |
| Cash and cash equivalents at beginning of year . . . | 875,782 |
| Cash and cash equivalents at end of year | <u>\$ 681,925</u> |
| Reconciliation of operating loss to net cash (used in) operating activities: | |
| Operating loss | \$ (131,807) |
| Changes in assets and liabilities: | |
| Decrease in claims payable | <u>(62,050)</u> |
| Net cash (used in) operating activities | <u>\$ (193,857)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

| | Agency |
|--|---------------|
| Assets: | |
| Equity in pooled cash and cash equivalents . . . | \$ 209,359 |
| Liabilities: | |
| Due to other governments | \$ 1,555 |
| Due to students. | 72,051 |
| Deposits held and due to others. | 135,753 |
| Total liabilities | \$ 209,359 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

It is staffed by 86 non-certified employees and 157 certified full-time teaching personnel who provide services to 2,126 students and other community members. The District currently operates five instructional buildings and a bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META) Solutions

The District is a participant in META Solutions which is a computer consortium that resulted from the mergers between Tri-Rivers Educational Computer Association (TRECA), Metropolitan Educational Council (MEC), Metropolitan Dayton Educational Cooperative Association (MDECA), Southeastern Ohio Valley Voluntary Education Cooperative (SEOVEC), and South Central Ohio Computer Association (SCOCA). META Solutions develops, implements and supports the technology and instructional needs of schools in a cost-effective manner. META Solutions provides instructional, core, technology and purchasing services for its member districts. The Board of Directors consists of the Superintendents from eleven of the member districts. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, 100 Executive Drive, Marion, Ohio 43302.

Tolles Career and Technical Center

The Tolles Career and Technical Center is a distinct political subdivision of the State of Ohio operated under the direction of a board consisting of one representative from each of the seven participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Tolles Career and Technical Center, Tammy Woods, Treasurer, at 7877 U.S. Highway 42 South, Plain City, Ohio 43064.

INSURANCE PURCHASING POOL

Ohio School Plan

The Ohio School Plan (the "Plan") is a shared liability, property and fleet insurance risk pool which is governed by a Board of thirteen school superintendents, business managers and treasurers. Harcum-Schuett, the insurance agency, has one board seat. OSBA, BASA and OASBO executive directors serve as ex-officio members. 450 educational entities are served by the Plan. The Plan's board elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the plan. All Plan revenues are generated from charges for services. For more information, write to the Ohio School Plan, Hylant Administrative Services, LLC., 811 Madison Avenue, P.O. Box 2083, Toledo, Ohio 43603.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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 restricted 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.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's only internal service fund accounts for a self-insurance program which provides medical and dental insurance to employees.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities and a flexible spending account.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for internal service funds include claims and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 7).

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 and Note 13 for deferred outflows of resources related the District's net pension liability and net OPEB liability, respectively. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payment in lieu of taxes, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2018, but which were levied to finance fiscal year 2019 operations. Payment in lieu of taxes represents a contractual promise to make payment of property taxes which reflect all or a portion of the taxes which would have been paid if the taxes had not been exempted. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, see Note 12 and Note 13 for deferred inflows of resources related to the District's net pension liability and net OPEB liability, respectively. These deferred inflows of resources are only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2018 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Madison County Budget Commission for tax rate determination. The Madison County Commissioners waived this requirement for fiscal year 2018.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. By July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2018.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2018; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$131,222 including \$42,271 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

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

| Description | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 20 years |
| Buildings and improvements | 20 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 8 - 10 years |

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net position.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2018, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2018 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

L. Fund Balance

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

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

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

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

M. Net Position

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

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

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

Q. Extraordinary and Special Items

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

R. Issuance Costs/Bond Premiums and Discounts and Accounting Gain or Loss on Debt Refunding

On the governmental fund financial statements, issuance costs, bond premiums, bond discounts, and charges from debt refunding are recognized in the current period.

On the government-wide financial statements, issuance costs are recognized in the current period and are not amortized. Bond premiums and discounts are amortized over the term of the bonds using the straight-line method. Unamortized bond premiums are presented as an addition to the face amount of the bonds reported on the statement of net position. Unamortized bond discounts are presented as a reduction to the face amount of the bonds reported on the statement of net position. The reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 10.A.

For advance refunding resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources.

S. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the District's postemployment benefit plan disclosures, as presented in Note 13 to the basic financial statements, and added required supplementary information which is presented on pages 74 - 87.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities at July 1, 2017 have been restated as follows:

| | Governmental Activities |
|--|----------------------------|
| Net position as previously reported | \$ 13,358,275 |
| Deferred outflows - payments subsequent to measurement date | 40,609 |
| Net OPEB liability | (6,793,905) |
| Restated net position at July 1, 2017 | \$ 6,604,979 |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. The restatement had no effect on fund balances.

B. Deficit Fund Balances

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

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|------------------------------|----------------|
| IDEA Part B | \$ 26,320 |
| Title I | 13,604 |
| Miscellaneous Federal Grants | 7,961 |

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District deposits was \$7,484,482 and the bank balance of all District deposits was \$7,660,227. Of the bank balance, \$2,792,733 was covered by the FDIC and \$4,867,494 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized.

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

B. Investments

As of June 30, 2018, the District had the following investment and maturity:

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>Investment Maturity 6 months or less</u> |
|---|------------------------------|---|
| <i>Amortized cost:</i> | | |
| STAR Ohio | <u>\$ 3,864,136</u> | <u>\$ 3,864,136</u> |

The weighted average maturity of investments is 1 day.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

| <u>Measurement/ Investment type</u> | <u>Measurement Value</u> | <u>% of Total</u> |
|---|------------------------------|-------------------|
| <i>Amortized cost:</i> | | |
| STAR Ohio | \$ 3,864,136 | 100.00 |

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

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

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 7,484,482 |
| Investments | <u>3,864,136</u> |
| Total | <u>\$ 11,348,618</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 11,139,259 |
| Agency fund | <u>209,359</u> |
| Total | <u>\$ 11,348,618</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2018 as reported on the fund statements consist of the following interfund loans receivable and payable:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|---------------|
| General fund | Nonmajor governmental funds | \$ 25,025 |

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were not received by June 30. Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

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

The District receives property taxes from Union, Madison and Franklin Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available as an advance at June 30, 2018 was \$2,321,842 in the general fund, \$453,683 in the bond retirement fund and \$119,183 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2017 was \$2,352,269 in the general fund, \$515,628 in the bond retirement fund and \$121,808 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2018 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

| | 2017 Second Half Collections | | 2018 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 359,568,100 | 97.13 | \$ 367,713,170 | 97.05 |
| Public utility personal | <u>10,606,610</u> | <u>2.87</u> | <u>11,189,330</u> | <u>2.95</u> |
| Total | <u>\$ 370,174,710</u> | <u>100.00</u> | <u>\$ 378,902,500</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$36.10 | | \$35.60 | |

NOTE 7 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on November 7, 2006 and was in effect for five years. In May 2011, the voters renewed the .75 percent income tax for another five years and in March 2016 voters renewed the income tax for a new ten-year term. In May 2014, an additional earned income tax of 0.50% was approved by the voters. This additional earned income tax began January 2015. 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 revenue for fiscal year 2018 totaled \$3,945,558 and is credited to the general fund.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2018, consisted of taxes, payment in lieu of taxes, accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

| | |
|---------------------------------|----------------------|
| Governmental activities: | |
| Property taxes | \$ 9,148,010 |
| Income taxes | 1,490,739 |
| Payment in lieu of taxes | 399,878 |
| Accrued interest | 5,517 |
| Intergovernmental | <u>275,094</u> |
| Total | <u>\$ 11,319,238</u> |

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

| | Balance June 30, 2017 | Additions | Deductions | Balance June 30, 2018 |
|---|--------------------------|-----------------------|-------------|--------------------------|
| Governmental activities: | | | | |
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 741,758 | \$ - | \$ - | \$ 741,758 |
| Total capital assets, not being depreciated | <u>741,758</u> | <u>-</u> | <u>-</u> | <u>741,758</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 3,300,286 | 22,027 | - | 3,322,313 |
| Buildings and improvements | 65,586,410 | 205,697 | - | 65,792,107 |
| Furniture and equipment | 1,368,029 | 37,364 | - | 1,405,393 |
| Vehicles | <u>2,321,632</u> | <u>-</u> | <u>-</u> | <u>2,321,632</u> |
| Total capital assets, being depreciated | <u>72,576,357</u> | <u>265,088</u> | <u>-</u> | <u>72,841,445</u> |
| <i>Less: accumulated depreciation</i> | | | | |
| Land improvements | (2,166,772) | (141,899) | - | (2,308,671) |
| Buildings and improvements | (22,213,777) | (1,429,623) | - | (23,643,400) |
| Furniture and equipment | (890,958) | (114,512) | - | (1,005,470) |
| Vehicles | <u>(1,704,761)</u> | <u>(130,584)</u> | <u>-</u> | <u>(1,835,345)</u> |
| Total accumulated depreciation | <u>(26,976,268)</u> | <u>(1,816,618)</u> | <u>-</u> | <u>(28,792,886)</u> |
| Governmental activities capital assets, net | <u>\$ 46,341,847</u> | <u>\$ (1,551,530)</u> | <u>\$ -</u> | <u>\$ 44,790,317</u> |

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular \$ 624,133

Support Services:

| | |
|----------------------------|---------------------|
| Instructional staff | 115,674 |
| Administration | 293,505 |
| Operations and maintenance | 197,190 |
| Pupil transportation | 131,348 |
| Extracurricular activities | 93,089 |
| Food service operations | <u>361,679</u> |
| Total depreciation expense | <u>\$ 1,816,618</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS

- A. The changes in the District's long-term obligations during the year consist of the following. The long-term obligations have been restated as described in Note 3.A.

| | Restated Balance Outstanding June 30, 2017 | Additions | Reductions | Balance Outstanding June 30, 2018 | Amounts Due in One Year |
|---|---|---------------------|------------------------|---|-------------------------------|
| Governmental activities: | | | | | |
| <u>General Obligation Bonds:</u> | | | | | |
| Series 2007 refunding: | | | | | |
| Current interest bonds | \$ 8,405,000 | \$ - | \$ (8,405,000) | \$ - | - |
| Series 2016 refunding: | | | | | |
| Current interest bonds | 8,660,000 | - | (35,000) | 8,625,000 | 30,000 |
| Series 2017 refunding: | | | | | |
| Current interest bonds | - | 7,345,000 | (85,000) | 7,260,000 | 965,000 |
| Total general obligation bonds | <u>17,065,000</u> | <u>7,345,000</u> | <u>(8,525,000)</u> | <u>15,885,000</u> | <u>995,000</u> |
| <u>Other Long-Term Obligations:</u> | | | | | |
| Compensated absences | 929,802 | 151,846 | (93,801) | 987,847 | 50,936 |
| Net pension liability | 34,535,605 | - | (9,077,395) | 25,458,210 | - |
| Net OPEB liability | <u>6,793,905</u> | - | <u>(1,254,746)</u> | <u>5,539,159</u> | - |
| Total other long-term liabilities | <u>42,259,312</u> | <u>151,846</u> | <u>(10,425,942)</u> | <u>31,985,216</u> | <u>50,936</u> |
| Total | <u>\$ 59,324,312</u> | <u>\$ 7,496,846</u> | <u>\$ (18,950,942)</u> | 47,870,216 | <u>\$ 1,045,936</u> |
| Add: unamortized premium | | | | 716,034 | |
| Total long-term liabilities reported on statement of net position | | | | <u>\$ 48,586,250</u> | |

Compensated Absences: Compensated absences represent accumulated vacation and an estimated sick leave liability for employees both eligible to retire and those expected to become eligible in the future. Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund.

Net Pension Liability: See Note 12 for more details. The District pays obligations related to employee compensation from the fund benefitting from their service.

Net OPEB Liability: See Note 13 for more details. The District pays obligations related to employee compensation from the fund benefitting from their service.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Series 2007 Refunding General Obligation Bonds - On October 10, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund the callable portion of the Series 2002 Current Interest General Obligation Bonds (principal \$9,450,000; interest rate of 4.25% to 5.0%). The issuance proceeds of \$9,449,996 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The Series 2007 Refunding Bonds were current refunded on September 5, 2017 through the issuance of the Series 2017 Refunding Bonds described below. At June 30, 2018, there is no remaining obligation related to the Series 2007 Refunding Bonds.

Series 2016 Refunding General Obligation Bonds - On August 24, 2016, the District issued general obligation bonds (Series 2016 Refunding Bonds) to advance refund the callable portion of the Series 2006 Current Interest General Obligation Bonds (principal \$8,865,000; interest rate of 4.25% to 4.375%). Issuance proceeds of \$9,052,226 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds was \$8,845,000 at June 30, 2018.

The refunding issue is comprised of current interest bonds, par value \$8,780,000. The interest rate on the current interest bonds range from 4.25% to 4.375%.

The reacquisition price exceeded the net carrying amount of the old debt (including unamortized deferred changes and unamortized premiums) by \$89,770. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

Payments of principal and interest relating to the Series 2016 refunding bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2024.

Series 2017 Refunding General Obligation Bonds - On September 5, 2017, the District issued general obligation bonds (Series 2017 Refunding Bonds) to current refund the callable portion of the Series 2007 Current Interest Refunding Bonds (principal \$7,505,000; interest rate of 4.00% to 4.25%). Issuance proceeds of \$7,647,334 were used to purchase securities which were placed in an irrevocable trust to provide resources for the debt service payment due on December 1, 2017 when the refunded debt was called. The Series 2007 Refunding bonds have been defeased and removed from the statement of net position.

The refunding issue is comprised of current interest bonds, par value \$7,345,000. The interest rate on the current interest bonds range from 4.00% to 4.25%.

The reacquisition price exceeded the net carrying amount of the old debt (including unamortized deferred changes and unamortized premiums) by \$146,087. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. The refunding was undertaken to reduce future debt service payments by \$730,931 resulting in a current economic gain of \$690,259.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Payments of principal and interest relating to the Series 2017 refunding bonds are recorded as expenditures in the bond retirement fund. Interest payments on the current interest bonds are due on June 1 and December 1 each year. The final maturity stated in the issue is December 1, 2024.

B. Future Debt Service Requirements

The following is a summary of the District's future debt service requirements to maturity for general obligation bonds:

| Fiscal Year Ended | General Obligation Bonds | | |
|----------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total |
| 2019 | \$ 995,000 | \$ 414,670 | \$ 1,409,670 |
| 2020 | 1,020,000 | 394,980 | 1,414,980 |
| 2021 | 1,040,000 | 374,860 | 1,414,860 |
| 2022 | 1,060,000 | 354,200 | 1,414,200 |
| 2023 | 1,100,000 | 312,500 | 1,412,500 |
| 2024 - 2028 | 6,320,000 | 1,055,901 | 7,375,901 |
| 2029 - 2031 | 4,350,000 | 194,463 | 4,544,463 |
| Total | <u>\$ 15,885,000</u> | <u>\$ 3,101,574</u> | <u>\$ 18,986,574</u> |

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2018, are a voted debt margin of \$20,628,747 (including available funds of \$2,412,522) and an unvoted debt margin of \$378,903.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

During fiscal year 2018, the District participated in the Ohio School Plan (OSP), a public entity insurance purchasing pool (See Note 2.A.). The District entered into an agreement with the OSP and its premium is based on types of coverage, limits of coverage and deductibles that it selects. The OSP is administered by Hylant Administrative Services, LLC. The following is the District's insurance coverage:

Total policy coverage - includes the following:

| | |
|---|---------------|
| Property limit (\$1,000 deductible) | \$100,051,206 |
| Boiler and Machinery (\$1,000 deductible) | 84,038,608 |
| Automobile liability (\$1,000 deductible) | 4,000,000 |
| Uninsured/underinsured motorist | 50,000 |
| Medical payments | 5,000 |
| Public Employee dishonesty | 100,000 |
| General school district liability: | |
| Per occurrence | 4,000,000 |
| Aggregate per year | 6,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

B. Workers' Compensation Plan

The District participates in a group rating plan (GRP). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. CompManagement provides administrative, cost control and actuarial services to the GRP.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Group Health and Dental Insurance

During fiscal year 2018, the District offered health insurance benefits to employees through a self-funded health reimbursement insurance program. The district joined the Ohio School Benefit Cooperative (OSBC) in January 2015 for group purchasing savings. The cooperative is a large purchasing group made up of mostly public school districts. The district is a self-funded entity under the cooperative, utilizing Medical Mutual as their PPO. Dental insurance program is with the OASIS Trust. Activity related to the self-insurance program is recorded in an internal service fund. The District has elected to maintain the funds within the District; however, monthly premiums (both employee and employer) portions are paid out of the respective employee funds and paid into the self-insurance fund. The third-party administrator processes the claims which are approved by the District Treasurer. Monies are then transferred to a clearing account and claims are paid.

The claims liability of \$130,825 reported in the internal service fund at June 30, 2018, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Claims Incurred</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|------------------------------|----------------------------|----------------------------|---------------------------|
| 2018 | \$ 192,875 | \$ 2,993,835 | \$ (3,055,885) | \$ 130,825 |
| 2017 | 276,020 | 2,938,446 | (3,021,591) | 192,875 |

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$338,511 for fiscal year 2018. Of this amount, \$52,531 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$1,379,164 for fiscal year 2018. Of this amount, \$252,516 is reported as pension and postemployment benefits payable.

Net Pension Liability

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|----------------|
| Proportion of the net pension liability prior measurement date | 0.07626750% | 0.08649812% | |
| Proportion of the net pension liability current measurement date | <u>0.07883530%</u> | <u>0.08734072%</u> | |
| Change in proportionate share | <u>0.00256780%</u> | <u>0.00084260%</u> | |
| Proportionate share of the net pension liability | \$ 4,710,235 | \$ 20,747,975 | \$ 25,458,210 |
| Pension expense | \$ (91,995) | \$ (7,561,920) | \$ (7,653,915) |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 202,714 | \$ 801,187 | \$ 1,003,901 |
| Changes of assumptions | 243,571 | 4,537,810 | 4,781,381 |
| Difference between District contributions and proportionate share of contributions/change in proportionate share | 202,288 | 1,553,696 | 1,755,984 |
| District contributions subsequent to the measurement date | <u>338,511</u> | <u>1,379,164</u> | <u>1,717,675</u> |
| Total deferred outflows of resources | <u>\$ 987,084</u> | <u>\$ 8,271,857</u> | <u>\$ 9,258,941</u> |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 167,221 | \$ 167,221 |
| Net difference between projected and actual earnings on pension plan investments | 22,360 | 684,710 | 707,070 |
| Difference between District contributions and proportionate share of contributions/change in proportionate share | <u>6,947</u> | <u>102,881</u> | <u>109,828</u> |
| Total deferred inflows of resources | <u>\$ 29,307</u> | <u>\$ 954,812</u> | <u>\$ 984,119</u> |

\$1,717,675 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|-------------------|---------------------|---------------------|
| Fiscal Year Ending June 30: | | | |
| 2019 | \$ 266,453 | \$ 1,383,078 | \$ 1,649,531 |
| 2020 | 357,237 | 2,314,515 | 2,671,752 |
| 2021 | 105,383 | 1,826,276 | 1,931,659 |
| 2022 | <u>(109,807)</u> | <u>414,012</u> | <u>304,205</u> |
| Total | <u>\$ 619,266</u> | <u>\$ 5,937,881</u> | <u>\$ 6,557,147</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 6,536,582 | \$ 4,710,235 | \$ 3,180,297 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

| | July 1, 2017 | July 1, 2016 |
|--------------------------------------|--|--|
| Inflation | 2.50 percent | 2.75 percent |
| Projected salary increases | 12.50 percent at age 20 to 2.50 percent at age 65 | 12.25 percent at age 20 to 2.75 percent at age 70 |
| Investment rate of return | 7.45 percent, net of investment expenses, including inflation | 7.75 percent, net of investment expenses, including inflation |
| Payroll increases | 3 percent | 3.5 percent |
| Cost-of-living adjustments (COLA) | 0.0 percent, effective July 1, 2017 | 2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date. |

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

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

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net pension liability | \$ 29,741,516 | \$ 20,747,975 | \$ 13,172,265 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$41,002.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate, is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$53,539 for fiscal year 2018. Of this amount, \$42,878 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Net OPEB Liability

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

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|--------------------|--------------------|--------------|
| Proportion of the net OPEB liability prior measurement date | 0.07605901% | 0.08649812% | |
| Proportion of the net OPEB liability current measurement date | <u>0.07942080%</u> | <u>0.08734072%</u> | |
| Change in proportionate share | <u>0.00336179%</u> | <u>0.00084260%</u> | |
| Proportionate share of the net OPEB liability | \$ 2,131,446 | \$ 3,407,713 | \$ 5,539,159 |
| OPEB expense | \$ 149,739 | \$ (1,033,411) | \$ (883,672) |

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|-------------------|-------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ - | \$ 196,714 | \$ 196,714 |
| Difference between District contributions and proportionate share of contributions/change in proportionate share | 62,245 | 38,625 | 100,870 |
| District contributions subsequent to the measurement date | <u>53,539</u> | <u>-</u> | <u>53,539</u> |
| Total deferred outflows of resources | <u>\$ 115,784</u> | <u>\$ 235,339</u> | <u>\$ 351,123</u> |
| Deferred inflows of resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 5,629 | \$ 145,654 | \$ 151,283 |
| Changes of assumptions | <u>202,263</u> | <u>274,503</u> | <u>476,766</u> |
| Total deferred inflows of resources | <u>\$ 207,892</u> | <u>\$ 420,157</u> | <u>\$ 628,049</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$53,539 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Fiscal Year Ending June 30: | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2019 | \$ (52,138) | \$ (42,940) | \$ (95,078) |
| 2020 | (52,138) | (42,940) | (95,078) |
| 2021 | (39,963) | (42,940) | (82,903) |
| 2022 | (1,407) | (42,940) | (44,347) |
| 2023 | (1) | (6,529) | (6,530) |
| Thereafter | <u>-</u> | <u>(6,529)</u> | <u>(6,529)</u> |
| Total | <u>\$ (145,647)</u> | <u>\$ (184,818)</u> | <u>\$ (330,465)</u> |

Actuarial Assumptions - SERS

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| | 1% Decrease (2.63%) | Current Discount Rate (3.63%) | 1% Increase (4.63%) |
|--|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 2,573,992 | \$ 2,131,446 | \$ 1,780,836 |

| | 1% Decrease (6.5 % decreasing to 4.0 %) | Current Trend Rate (7.5 % decreasing to 5.0 %) | 1% Increase (8.5 % decreasing to 6.0 %) |
|--|---|---|---|
| District's proportionate share of the net OPEB liability | \$ 1,729,508 | \$ 2,131,446 | \$ 2,663,416 |

Actuarial Assumptions - STRS

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|---|------------------------|-------------------------------------|------------------------|
| District's proportionate share of the net OPEB liability | \$ 4,574,799 | \$ 3,407,713 | \$ 2,485,333 |
| District's proportionate share of the net OPEB liability | \$ 2,367,533 | \$ 3,407,713 | \$ 4,776,711 |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 1,291,674 |
| Net adjustment for revenue accruals | (137,785) |
| Net adjustment for expenditure accruals | (42,637) |
| Net adjustment for other financing sources/uses | 34,371 |
| Funds budgeted elsewhere | (20,521) |
| Adjustment for encumbrances | 309,342 |
| GAAP basis | \$ 1,434,444 |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public-school support fund and the underground storage tank fund.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not involved in material litigation as either plaintiff or defendant.

C. School Foundation

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result of the fiscal year 2018 reviews, the District owes to ODE \$54,839. This amount has been included in the financial statements. The impact of future FTE adjustments, if any, on the fiscal year 2018 financial statements is not determinable at this time. Management believes these may result in either an additional receivable to, or a liability of, the District.

NOTE 16 - SET-ASIDES

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

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2017 | \$ - |
| Current year set-aside requirement | 389,981 |
| Current year offsets | <u>(389,981)</u> |
| Total | <u>\$ -</u> |
| Balance carried forward to fiscal year 2019 | <u>\$ -</u> |
| Set-aside balance June 30, 2018 | <u>\$ -</u> |

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

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

NOTE 17 - OTHER COMMITMENTS

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

| <u>Fund Type</u> | <u>Year-End Encumbrances</u> |
|-----------------------------|----------------------------------|
| General fund | \$ 259,565 |
| Nonmajor governmental funds | <u>77,606</u> |
| Total | <u>\$ 337,171</u> |

NOTE 18 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Union County has entered into an Enterprise Zone Agreement ("EZA") with a property owner located within the taxing districts of the District. EZA's provide for property tax abatements to encourage job growth and economic development in Union County. The EZA provides for direct incentive property tax exemptions benefiting property owners who renovate or construct new buildings. As a result of the EZA, the District property taxes were reduced by \$45,577 during fiscal year 2018. The District did not receive any compensation payments associated with the forgone property tax revenue.

REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability | 0.07883530% | 0.07626750% | 0.07380230% | 0.07430400% | 0.07430400% |
| District's proportionate share of the net pension liability | \$ 4,710,235 | \$ 5,582,077 | \$ 4,211,231 | \$ 3,760,483 | \$ 4,418,620 |
| District's covered payroll | \$ 2,731,021 | \$ 2,533,657 | \$ 2,221,836 | \$ 2,159,120 | \$ 2,355,882 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 172.47% | 220.32% | 189.54% | 174.17% | 187.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.08734072% | 0.08649812% | 0.07867412% | 0.07963203% | 0.07963203% |
| District's proportionate share of the net pension liability | \$ 20,747,975 | \$ 28,953,528 | \$ 21,743,226 | \$ 19,369,266 | \$ 23,072,542 |
| District's covered payroll | \$ 9,753,014 | \$ 9,290,750 | \$ 8,327,307 | \$ 8,136,192 | \$ 8,867,800 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 212.73% | 311.64% | 261.11% | 238.06% | 260.18% |
| Plan fiduciary net position as a percentage of the total pension liability | 75.30% | 66.80% | 72.10% | 74.70% | 69.30% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 338,511 | \$ 382,343 | \$ 354,712 | \$ 292,838 | \$ 299,254 | \$ 326,054 | \$ 319,851 | \$ 294,555 | \$ 296,864 | \$ 207,000 |
| Contributions in relation to the contractually required contribution | <u>(338,511)</u> | <u>(382,343)</u> | <u>(354,712)</u> | <u>(292,838)</u> | <u>(299,254)</u> | <u>(326,054)</u> | <u>(319,851)</u> | <u>(294,555)</u> | <u>(296,864)</u> | <u>(207,000)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,507,489 | \$ 2,731,021 | \$ 2,533,657 | \$ 2,221,836 | \$ 2,159,120 | \$ 2,355,882 | \$ 2,378,074 | \$ 2,343,317 | \$ 2,192,496 | \$ 2,103,659 |
| Contributions as a percentage of covered payroll | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% | 13.54% | 9.84% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Contractually required contribution | \$ 1,379,164 | \$ 1,365,422 | \$ 1,300,705 | \$ 1,165,823 | \$ 1,057,705 | \$ 1,152,814 | \$ 1,136,185 | \$ 1,132,415 | \$ 1,015,252 | \$ 980,565 |
| Contributions in relation to the contractually required contribution | <u>(1,379,164)</u> | <u>(1,365,422)</u> | <u>(1,300,705)</u> | <u>(1,165,823)</u> | <u>(1,057,705)</u> | <u>(1,152,814)</u> | <u>(1,136,185)</u> | <u>(1,132,415)</u> | <u>(1,015,252)</u> | <u>(980,565)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 9,851,171 | \$ 9,753,014 | \$ 9,290,750 | \$ 8,327,307 | \$ 8,136,192 | \$ 8,867,800 | \$ 8,739,885 | \$ 8,710,885 | \$ 7,809,631 | \$ 7,542,808 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2018 | 2017 |
|---|--------------|--------------|
| District's proportion of the net OPEB liability | 0.07942080% | 0.07605901% |
| District's proportionate share of the net OPEB liability | \$ 2,131,446 | \$ 2,167,963 |
| District's covered payroll | \$ 2,731,021 | \$ 2,533,657 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 78.05% | 85.57% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 12.46% | 11.49% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2018 | 2017 |
|---|--------------|--------------|
| District's proportion of the net OPEB liability | 0.08734072% | 0.08649812% |
| District's proportionate share of the net OPEB liability | \$ 3,407,713 | \$ 4,625,942 |
| District's covered payroll | \$ 9,753,014 | \$ 9,290,750 |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 34.94% | 49.79% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.10% | 37.33% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| Contractually required contribution | \$ 53,539 | \$ 40,609 | \$ 33,210 | \$ 60,429 | \$ 40,288 | \$ 36,658 | \$ 45,160 | \$ 66,906 | \$ 52,009 | \$ 117,922 |
| Contributions in relation to the contractually required contribution | <u>(53,539)</u> | <u>(40,609)</u> | <u>(33,210)</u> | <u>(60,429)</u> | <u>(40,288)</u> | <u>(36,658)</u> | <u>(45,160)</u> | <u>(66,906)</u> | <u>(52,009)</u> | <u>(117,922)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 2,507,489 | \$ 2,731,021 | \$ 2,533,657 | \$ 2,221,836 | \$ 2,159,120 | \$ 2,355,882 | \$ 2,378,074 | \$ 2,343,317 | \$ 2,192,496 | \$ 2,103,659 |
| Contributions as a percentage of covered payroll | 2.14% | 1.49% | 1.31% | 2.72% | 1.87% | 1.56% | 1.90% | 2.86% | 2.37% | 5.61% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - | \$ 83,579 | \$ 88,678 | \$ 87,399 | \$ 87,109 | \$ 80,866 | \$ 75,428 |
| Contributions in relation to the contractually required contribution | - | - | - | - | (83,579) | (88,678) | (87,399) | (87,109) | (80,866) | (75,428) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 9,851,171 | \$ 9,753,014 | \$ 9,290,750 | \$ 8,327,307 | \$ 8,136,192 | \$ 8,867,800 | \$ 8,739,885 | \$ 8,710,885 | \$ 7,809,631 | \$ 7,542,808 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PENSION

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

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

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

(Continued)

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2017-2018.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

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

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

JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Receipts | Expenditures |
|---|---------------------------|--|----------------------------|----------------------------|
| U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i> | | | | |
| Child Nutrition Cluster | | | | |
| Non-Cash Assistance (Food Distribution) | | | | |
| National School Lunch Program | 10.555 | N/A | \$ 59,745 | \$ 59,745 |
| Cash Assistance: | | | | |
| School Breakfast Program | 10.553 | N/A | 54,728 | 54,728 |
| National School Lunch Program | 10.555 | N/A | 253,573 | 253,573 |
| Total Child Nutrition Cluster | | | <u>368,046</u> | <u>368,046</u> |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>368,046</u> | <u>368,046</u> |
| U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i> | | | | |
| Title I Grants to Local Educational Agencies: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2018 | 199,830 | 206,801 |
| Title I Grants to Local Educational Agencies | 84.010 | 2017 | 42,684 | 34,577 |
| Total Title I Grants to Local Educational Agencies | | | <u>242,514</u> | <u>241,378</u> |
| Special Education Cluster: | | | | |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 2018 | 367,372 | 367,372 |
| Special Education - Grants to States (IDEA, Part B) | 84.027 | 2017 | 43,307 | 40,081 |
| Special Education - Preschool Grants (IDEA Preschool) | 84.173 | 2018 | 12,631 | 12,631 |
| Total Special Education Cluster | | | <u>423,310</u> | <u>420,084</u> |
| Twenty-First Century Community Learning Centers: | | | | |
| Twenty-First Century Community Learning Centers | 84.287 | 2018 | 341,500 | 361,156 |
| Twenty-First Century Community Learning Centers | 84.287 | 2017 | 71,003 | 54,501 |
| Total Twenty-First Century Community Learning Centers | | | <u>412,503</u> | <u>415,657</u> |
| Voluntary Public School Choice: | | | | |
| Voluntary Public School Choice | 84.361 | 2018 | 33,394 | 41,125 |
| Voluntary Public School Choice | 84.361 | 2017 | 16,387 | 8,266 |
| Total Voluntary Public School Choice | | | <u>49,781</u> | <u>49,391</u> |
| Student Support and Academic Enrichment Program | 84.424 | 2018 | 5,811 | 5,811 |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>1,133,919</u> | <u>1,132,321</u> |
| TOTAL RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,501,965</u> | <u>\$ 1,500,367</u> |

The accompanying notes are an integral part of this schedule.

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) includes the federal award activity of **Jonathan Alder Local School District**, Madison County, Ohio (the District) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



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St. Clairsville, OH 43950
740.695.1569

1310 Market St., Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

December 31, 2018

Jonathan Alder Local School District
Madison County
9200 U.S. Route 42 South
Plain City, Ohio 43064

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Jonathan Alder Local School District**, Madison County, (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2018, wherein we noted the School District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated December 31, 2018.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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

December 31, 2018

Jonathan Alder Local School District
Madison County
9200 U.S. Route 42 South
Plain City, Ohio 43064

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited **Jonathan Alder Local School District's** (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Jonathan Alder Local School District's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on the Major Federal Program

In our opinion, the Jonathan Alder Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**JONATHAN ALDER LOCAL SCHOOL DISTRICT
MADISON COUNTY, OHIO**

SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

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

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

None

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

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OHIO AUDITOR OF STATE KEITH FABER



JONATHAN ALDER LOCAL SCHOOL DISTRICT

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2019**