



Dave Yost • Auditor of State

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2015, 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.

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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General 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, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 liabilities and pension 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 Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 4, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The management's discussion and analysis of the Jackson Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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 2015 are as follows:

- In total, net position of governmental activities increased \$5,725,874 which represents a 27.46% increase from 2014's restated net position.
- General revenues accounted for \$57,247,232 in revenue or 88.80% of all revenues. Program specific revenues in the form of charges for services and sales , operating grants and contributions and capital grants and contributions accounted for \$7,221,204 or 11.20% of total revenues of \$64,468,436.
- The District had \$58,742,562 in expenses related to governmental activities; \$7,221,204 of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has one major fund: the general fund. The general fund had \$53,282,364 in revenues and other financing sources and \$49,646,897 in expenditures. The general fund's fund balance increased \$3,616,734 from \$20,925,620 to \$24,542,354.

Using these Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 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 fund is the general fund.

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-63 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. The required supplementary information can be found on pages 66 through 72 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The District as a Whole

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

The table below provides a summary of the District's net position at June 30, 2015 and June 30, 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

| | Net Position | |
|--|---|---|
| | Governmental Activities <u>2015</u> | Restated Governmental Activities <u>2014</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 81,478,399 | \$ 76,314,539 |
| Capital assets, net | <u>81,242,319</u> | <u>83,312,845</u> |
| Total assets | <u>162,720,718</u> | <u>159,627,384</u> |
| <u>Deferred Outflows of Resources</u> | | |
| Unamortized deferred charges on debt refunding | 1,596,840 | 1,847,053 |
| Pension | <u>4,784,039</u> | <u>4,042,562</u> |
| Total deferred outflows of resources | <u>6,380,879</u> | <u>5,889,615</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 6,585,753 | 6,309,791 |
| Long-term liabilities: | | |
| Due within one year | 4,088,450 | 4,146,544 |
| Due in more than one year: | | |
| Net pension liability | 64,002,086 | 76,029,841 |
| Other amounts | <u>54,603,933</u> | <u>57,916,235</u> |
| Total liabilities | <u>129,280,222</u> | <u>144,402,411</u> |
| <u>Deferred Inflows of Resources</u> | | |
| Property taxes and PILOTs levied for next year | 43,397,221 | 41,963,658 |
| Pensions | <u>11,547,350</u> | <u>-</u> |
| Total deferred inflows of resources | <u>54,944,571</u> | <u>41,963,658</u> |
| <u>Net Position</u> | | |
| Net investment in capital assets | 31,480,070 | 31,051,574 |
| Restricted | 2,210,456 | 2,009,706 |
| Unrestricted | <u>(48,813,722)</u> | <u>(53,910,350)</u> |
| Total net position | <u>\$ (15,123,196)</u> | <u>\$ (20,849,070)</u> |

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. 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 the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension 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. GASB noted that the unfunded portion of this pension 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 this liability. 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 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 pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *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 pension system is responsible for the administration of the plan.

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$51,138,209 to (\$20,849,070).

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$15,123,196.

Assets of the District increased \$3,093,334 or 1.94%. Current and other assets increased primarily due to an increase in equity in pooled cash and investments and property taxes receivable.

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

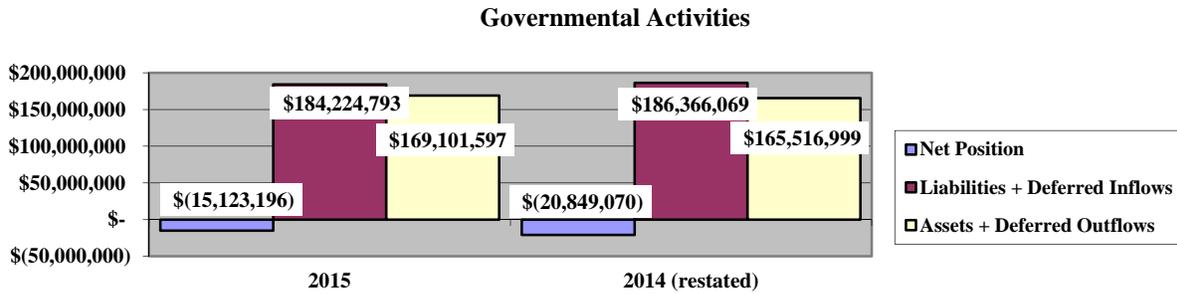
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

At year-end, capital assets represented 49.93% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2015, was \$31,480,070. 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.

Liabilities of the District decreased \$15,122,189 or 10.47%. Current liabilities increased due to an increase in accrued wages and benefits payable. Long-term liabilities decreased due to the retirement of roughly \$3.7 million in general obligation bonds and a large decrease in net pension liability.

A portion of the District's net position, \$2,210,456, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$1,686,846 is restricted for capital projects. The remaining balance of unrestricted net position is (\$48,813,722).

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and June 30, 2014. The amounts at June 30, 2014 have been restated as described in Note 3.A.



The table below shows the change in net position for fiscal years 2015 and 2014. The net position at June 30, 2014 has been restated as described in Note 3.A.

| | Change in Net Position | |
|------------------------------------|------------------------------------|--|
| | Governmental Activities 2015 | Restated Governmental Activities 2014 |
| Revenues | | |
| Program revenues: | | |
| Charges for services and sales | \$ 3,219,378 | \$ 2,959,063 |
| Operating grants and contributions | 3,985,002 | 4,076,201 |
| Capital grants and contributions | 16,824 | - |
| General revenues: | | |
| Property taxes | 43,915,701 | 44,166,161 |
| Payment in lieu of taxes | 107,913 | 99,703 |
| Grants and entitlements | 13,000,524 | 12,353,383 |
| Investment earnings | 167,391 | 107,379 |
| Other | 55,703 | 200,887 |
| Total revenues | <u>64,468,436</u> | <u>63,962,777</u> |

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

| | Change in Net Position (Continued) | |
|--|---|------------------------|
| | Governmental | Restated |
| | Activities | Governmental |
| | <u>2015</u> | <u>2014</u> |
| <u>Expenses</u> | | |
| Program expenses: | | |
| Instruction: | | |
| Regular | \$ 23,687,931 | \$ 23,289,144 |
| Special | 5,682,847 | 4,965,689 |
| Vocational | 1,031,026 | 962,408 |
| Adult/continuing | 28,769 | 44,415 |
| Other | 1,539,557 | 1,604,091 |
| Support services: | | |
| Pupil | 3,226,503 | 2,917,116 |
| Instructional staff | 2,586,232 | 2,977,201 |
| Board of education | 16,556 | 18,425 |
| Administration | 2,904,402 | 2,934,366 |
| Fiscal | 1,320,928 | 1,326,994 |
| Business | 399,499 | 404,376 |
| Operations and maintenance | 5,481,898 | 5,438,803 |
| Pupil transportation | 3,049,590 | 3,094,483 |
| Central | 275,761 | 382,317 |
| Operations of non-instructional services: | | |
| Other non-instructional services | 14,098 | 4,745 |
| Food service operations | 2,158,432 | 2,127,700 |
| Extracurricular activities | 2,543,304 | 2,094,528 |
| Interest and fiscal charges | <u>2,795,229</u> | <u>2,846,193</u> |
| Total expenses | <u>58,742,562</u> | <u>57,432,994</u> |
| Change in net position | 5,725,874 | 6,529,783 |
| Net position at beginning of year (restated) | <u>(20,849,070)</u> | <u>N/A</u> |
| Net position at end of year | <u>\$ (15,123,196)</u> | <u>\$ (20,849,070)</u> |

Governmental Activities

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$4,042,562 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,960,417.

**JACKSON LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

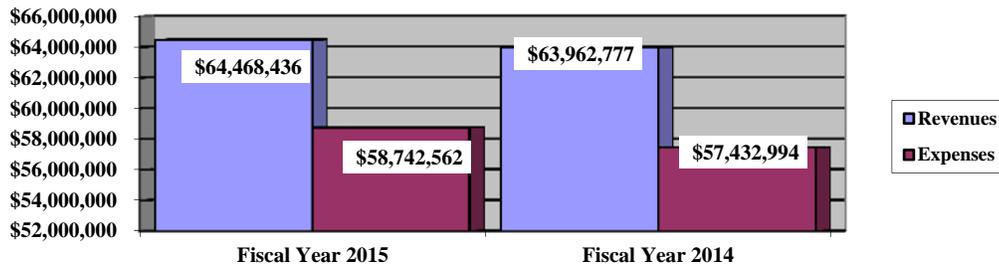
| | |
|--|---------------------|
| Total 2015 program expenses under GASB 68 | \$ 58,742,562 |
| Pension expense under GASB 68 | (2,960,417) |
| 2015 contractually required contributions | <u>4,182,299</u> |
| Adjusted 2015 program expenses | 59,964,444 |
| Total 2014 program expenses under GASB 27 | <u>57,432,994</u> |
| Increase (decrease) in program expenses not related to pension | <u>\$ 2,531,450</u> |

Net position of the District's governmental activities increased \$5,725,874. Total governmental expenses of \$58,742,562 were offset by program revenues of \$7,221,204 and general revenues of \$57,247,232. Program revenues supported 12.29% of the total governmental expenses. Overall expenses increased \$1,309,568 due to the discussion above related to GASB 68 as well as overall increases related to accrued wages and benefits paid to employees.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements from the State. These revenue sources account for 88.29% of total governmental revenue. The most significant increases were in the areas of operating grants and contributions and property taxes. Charges for services increased \$260,315 due primarily to increases in tuition, extracurricular revenue and classroom materials and fees. Property taxes decreased \$250,460 primarily due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the county auditors. Tax advances available are recorded as revenue under accounting principles generally accepted in the United States of America (GAAP). The amount of tax advances available at June 30, 2015, 2014 and 2013 was \$1,143,501, \$1,455,944 and \$463,500, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distribute tax bills. Grants and entitlements increased \$647,141 due to an increase in State foundation funding.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2015 and 2014.

Governmental Activities - Revenues and Expenses



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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

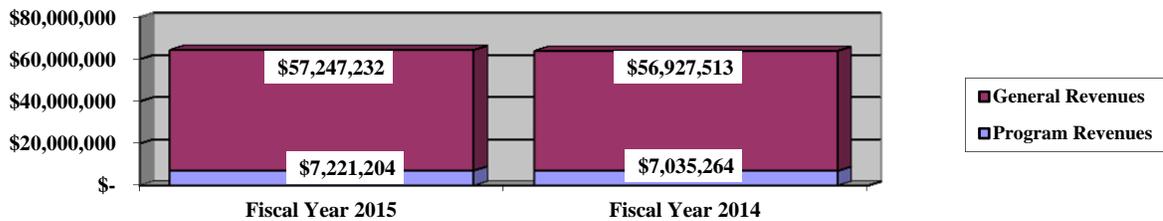
Governmental Activities

| | Total Cost of Services <u>2015</u> | Net Cost of Services <u>2015</u> | Total Cost of Services <u>2014</u> | Net Cost of Services <u>2014</u> |
|---|--|--|--|--|
| Program expenses | | | | |
| Instruction: | | | | |
| Regular | \$ 23,687,931 | \$ 22,880,278 | \$ 23,289,144 | \$ 22,578,182 |
| Special | 5,682,847 | 3,048,135 | 4,965,689 | 2,503,250 |
| Vocational | 1,031,026 | 884,018 | 962,408 | 807,787 |
| Adult/continuing | 28,769 | (9,226) | 44,415 | (130) |
| Other | 1,539,557 | 1,539,557 | 1,604,091 | 1,604,091 |
| Support services: | | | | |
| Pupil | 3,226,503 | 2,691,588 | 2,917,116 | 2,407,856 |
| Instructional staff | 2,586,232 | 2,456,181 | 2,977,201 | 2,609,387 |
| Board of education | 16,556 | 16,556 | 18,425 | 18,425 |
| Administration | 2,904,402 | 2,903,073 | 2,934,366 | 2,933,300 |
| Fiscal | 1,320,928 | 1,320,928 | 1,326,994 | 1,326,994 |
| Business | 399,499 | 399,499 | 404,376 | 404,376 |
| Operations and maintenance | 5,481,898 | 5,449,040 | 5,438,803 | 5,392,389 |
| Pupil transportation | 3,049,590 | 2,919,674 | 3,094,483 | 2,957,351 |
| Central | 275,761 | 275,761 | 382,317 | 382,317 |
| Operations of non-instructional services: | | | | |
| Other non-instructional services | 14,098 | 13,562 | 4,745 | 4,745 |
| Food service operations | 2,158,432 | 301,656 | 2,127,700 | 328,595 |
| Extracurricular activities | 2,543,304 | 1,635,849 | 2,094,528 | 1,292,622 |
| Interest and fiscal charges | 2,795,229 | 2,795,229 | 2,846,193 | 2,846,193 |
| Total | <u>\$ 58,742,562</u> | <u>\$ 51,521,358</u> | <u>\$ 57,432,994</u> | <u>\$ 50,397,730</u> |

The dependence upon tax and other general revenues for governmental activities is apparent as 88.65% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.71%. The District's taxpayers and unrestricted grants and entitlements are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2015 and 2014.

Governmental Activities - General and Program Revenues



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$29,344,564, which is higher than last year's total of \$25,700,405. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

| | Fund Balance <u>June 30, 2015</u> | Fund Balance <u>June 30, 2014</u> | <u>Change</u> | Percentage <u>Change</u> |
|--------------------|--------------------------------------|--------------------------------------|---------------------|-----------------------------|
| General | \$ 24,542,354 | \$ 20,925,620 | \$ 3,616,734 | 17.28 % |
| Other Governmental | <u>4,802,210</u> | <u>4,774,785</u> | <u>27,425</u> | 0.57 % |
| Total | <u>\$ 29,344,564</u> | <u>\$ 25,700,405</u> | <u>\$ 3,644,159</u> | 14.18 % |

General Fund

During fiscal year 2015, the District's general fund balance increased \$3,616,734.

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

| | <u>2015 Amount</u> | <u>2014 Amount</u> | <u>Change</u> | Percentage <u>Change</u> |
|--|------------------------|------------------------|---------------------|-----------------------------|
| <u>Revenues and Other financing sources</u> | | | | |
| Taxes | \$ 38,198,643 | \$ 38,219,701 | \$ (21,058) | (0.06) % |
| Tuition | 612,465 | 564,950 | 47,515 | 8.41 % |
| Earnings on investments | 158,769 | 101,120 | 57,649 | 57.01 % |
| Intergovernmental | 13,448,724 | 12,775,504 | 673,220 | 5.27 % |
| Other revenues | 846,287 | 972,110 | (125,823) | (12.94) % |
| Proceeds from sale of capital assets | <u>17,476</u> | <u>11,106</u> | <u>6,370</u> | 57.36 % |
| Total | <u>\$ 53,282,364</u> | <u>\$ 52,644,491</u> | <u>\$ 637,873</u> | 1.21 % |
| <u>Expenditures</u> | | | | |
| Instruction | \$ 29,173,925 | \$ 27,592,914 | \$ 1,581,011 | 5.73 % |
| Support services | 18,675,804 | 17,522,851 | 1,152,953 | 6.58 % |
| Extracurricular activities | 1,670,984 | 1,248,703 | 422,281 | 33.82 % |
| Non-instructional services | 13,500 | 4,745 | 8,755 | 184.51 % |
| Facilities acquisition and construction | <u>112,684</u> | <u>1,000</u> | <u>111,684</u> | 11,168.40 % |
| Total | <u>\$ 49,646,897</u> | <u>\$ 46,370,213</u> | <u>\$ 3,276,684</u> | 7.07 % |

Overall revenues and other financing sources of the general fund increased \$637,873 or 1.21%. The most significant increase was in the area of intergovernmental revenue. Intergovernmental revenues increased due to increases in State foundation funding

Expenditures increased \$3,276,684 or 7.07%. Instructional and support services increased \$1,581,011 and \$1,152,953, respectively, due to increase in raises received by employees and increase in benefits costs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

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 2015, the District did not amend its general fund estimated revenue budget. For the general fund, original and final budgeted revenues and other financing sources were \$52,414,766. Actual revenue and other financing sources of \$53,286,502 were \$871,736 more than the final budgeted amounts.

General fund actual expenditures plus other financing uses of \$49,751,141 were \$312,958 lower than final appropriations (appropriated expenditures plus other financing uses) of \$50,064,099. Original appropriations were \$49,819,899.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the District had \$81,242,319 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

The table that follows shows June 30, 2015 balances compared to June 30, 2014:

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

| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2015 | 2014 |
| Land | \$ 2,457,911 | \$ 2,457,911 |
| Construction in progress | 44,604 | 1,840,589 |
| Land improvements | 2,960,391 | 3,304,430 |
| Buildings and improvements | 73,679,795 | 74,161,872 |
| Furniture and equipment | 577,577 | 703,106 |
| Vehicles | 1,522,041 | 844,937 |
| Total | \$ 81,242,319 | \$ 83,312,845 |

The overall decrease of \$2,070,526 is the result of depreciation expense of \$3,445,310 and disposals (net of accumulated depreciation) of \$21,079 exceeding capital asset additions of \$1,395,863.

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

Debt Administration

At June 30, 2015 the District had \$51,767,437 in general obligation bonds outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$3,434,178 is due within one year and \$48,333,259 is due in more than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

The table below summarizes the bonds outstanding.

Outstanding Debt, at Year End

| | Governmental Activities <u>2015</u> | Governmental Activities <u>2014</u> |
|-----------------------------------|---|---|
| Current interest bonds - 2007 | \$ 37,265,000 | \$ 37,265,000 |
| Capital appreciation bonds - 2007 | 3,852,437 | 4,722,159 |
| Current interest bonds - 2005B | - | 2,005,000 |
| Current interest bonds - 2013 | <u>10,650,000</u> | <u>10,675,000</u> |
| Total | <u>\$ 51,767,437</u> | <u>\$ 54,667,159</u> |

At June 30, 2015, the District's overall legal debt margin was \$63,500,399 with an unvoted debt margin of \$1,216,445.

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

Current Financial Related Activities

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

The Jackson Local School District continues to receive strong support from the residents of the School District which is evident by their support of local levies. In May 2011, the property taxpayers renewed the districts 6.4 mill, 5 year, emergency levy that generates \$8,350,000 annually for operating expenditures as a Substitute Levy. The Substitute Levy will allow the district to potentially receive additional tax revenue over the 5 years of the levy from new construction that occurs within the school district boundaries. The district also receives additional tax revenue from a 5.3 mill, 5 year, emergency levy, renewed in May 2014, which generates \$6,150,000 annually for operating expenditures.

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

The financial picture of the District looks stable over the next 5 years. However, over the next few years, Ohio's schools will face major changes in the curriculum standards; the new teacher evaluation system and the future of assessments; state report cards; and measures such as the Performance Index. The financial impact of these changes is unknown at this time. The District is monitoring all funding scenarios and prudently providing the necessary resources to maintain its current level of Excellence in both curricular and extra-curricular programs.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION
JUNE 30, 2015

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in pooled cash and investments | \$ 34,760,069 |
| Receivables: | |
| Property taxes | 46,104,328 |
| Payment in lieu of taxes | 95,677 |
| Accounts | 13,932 |
| Accrued interest | 17,973 |
| Intergovernmental | 256,607 |
| Prepayments | 72,230 |
| Materials and supplies inventory | 141,405 |
| Inventory held for resale | 16,178 |
| Capital assets: | |
| Nondepreciable capital assets | 2,502,515 |
| Depreciable capital assets, net | 78,739,804 |
| Capital assets, net | 81,242,319 |
| Total assets | 162,720,718 |
| Deferred outflows of resources: | |
| Unamortized deferred charges on debt refunding | 1,596,840 |
| Pension - STRS | 3,615,559 |
| Pension - SERS | 1,168,480 |
| Total deferred outflows of resources | 6,380,879 |
| Liabilities: | |
| Accounts payable | 295,536 |
| Accrued wages and benefits payable | 4,845,929 |
| Intergovernmental payable | 376,385 |
| Pension and postemployment benefits payable | 894,225 |
| Accrued interest payable | 159,806 |
| Unearned revenue | 13,872 |
| Long-term liabilities: | |
| Due within one year | 4,088,450 |
| Due in more than one year: | |
| Net pension liability | 64,002,086 |
| Other amounts due in more than one year | 54,603,933 |
| Total liabilities | 129,280,222 |
| Deferred inflows of resources: | |
| Property taxes levied for the next fiscal year | 43,301,544 |
| Payment in lieu of taxes levied for the next fiscal year | 95,677 |
| Pension - STRS | 9,450,524 |
| Pension - SERS | 2,096,826 |
| Total deferred inflows of resources | 54,944,571 |
| Net position: | |
| Net investment in capital assets | 31,480,070 |
| Restricted for: | |
| Capital projects | 1,686,846 |
| Locally funded programs | 87,909 |
| Federally funded programs | 3,290 |
| Student activities | 432,411 |
| Unrestricted (deficit) | (48,813,722) |
| Total net position (deficit) | \$ (15,123,196) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Change in Net Position Governmental Activities |
|--|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 23,687,931 | \$ 611,008 | \$ 196,645 | \$ - | \$ (22,880,278) |
| Special | 5,682,847 | 300,093 | 2,334,619 | - | (3,048,135) |
| Vocational | 1,031,026 | 34,832 | 112,176 | - | (884,018) |
| Adult/continuing. | 28,769 | 37,995 | - | - | 9,226 |
| Other | 1,539,557 | - | - | - | (1,539,557) |
| Support services: | | | | | |
| Pupil. | 3,226,503 | 118,221 | 416,694 | - | (2,691,588) |
| Instructional staff | 2,586,232 | 13,450 | 116,601 | - | (2,456,181) |
| Board of education | 16,556 | - | - | - | (16,556) |
| Administration. | 2,904,402 | 613 | 716 | - | (2,903,073) |
| Fiscal. | 1,320,928 | - | - | - | (1,320,928) |
| Business. | 399,499 | - | - | - | (399,499) |
| Operations and maintenance | 5,481,898 | 27,781 | 5,077 | - | (5,449,040) |
| Pupil transportation. | 3,049,590 | 5,320 | 124,596 | - | (2,919,674) |
| Central | 275,761 | - | - | - | (275,761) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 14,098 | - | 536 | - | (13,562) |
| Food service operations | 2,158,432 | 1,282,020 | 574,756 | - | (301,656) |
| Extracurricular activities. | 2,543,304 | 788,045 | 102,586 | 16,824 | (1,635,849) |
| Interest and fiscal charges | 2,795,229 | - | - | - | (2,795,229) |
| Total governmental activities | \$ 58,742,562 | \$ 3,219,378 | \$ 3,985,002 | \$ 16,824 | (51,521,358) |

General revenues:

| | |
|--|------------------------|
| Property taxes levied for: | |
| General purposes | 37,896,560 |
| Debt service. | 4,928,200 |
| Capital projects | 1,090,941 |
| Payments in lieu of taxes. | 107,913 |
| Grants and entitlements not restricted | |
| to specific programs | 13,000,524 |
| Investment earnings | 167,391 |
| Miscellaneous | 55,703 |
| Total general revenues | 57,247,232 |
| Change in net position | 5,725,874 |
| Net position (deficit) | |
| at beginning of year (restated) | (20,849,070) |
| Net position (deficit) at end of year | \$ (15,123,196) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|--|---|
| Assets: | | | |
| Equity in pooled cash and investments | \$ 29,773,936 | \$ 4,986,133 | \$ 34,760,069 |
| Receivables: | | | |
| Property taxes | 39,812,104 | 6,292,224 | 46,104,328 |
| Payment in lieu of taxes | 82,603 | 13,074 | 95,677 |
| Accounts | 12,987 | 945 | 13,932 |
| Accrued interest | 17,973 | - | 17,973 |
| Intergovernmental | 205,209 | 51,398 | 256,607 |
| Prepayments | 72,230 | - | 72,230 |
| Materials and supplies inventory | 138,929 | 2,476 | 141,405 |
| Inventory held for resale | - | 16,178 | 16,178 |
| Total assets | <u>\$ 70,115,971</u> | <u>\$ 11,362,428</u> | <u>\$ 81,478,399</u> |
| Liabilities: | | | |
| Accounts payable | \$ 210,151 | \$ 85,385 | \$ 295,536 |
| Accrued wages and benefits payable | 4,594,712 | 251,217 | 4,845,929 |
| Compensated absences payable | 322,302 | - | 322,302 |
| Early retirement incentive payable | 142,446 | - | 142,446 |
| Intergovernmental payable | 366,514 | 9,871 | 376,385 |
| Pension and postemployment benefits payable | 830,554 | 63,671 | 894,225 |
| Unearned revenue | 1,000 | 12,872 | 13,872 |
| Total liabilities | <u>6,467,679</u> | <u>423,016</u> | <u>6,890,695</u> |
| Deferred inflows of resources: | | | |
| Property taxes levied for the next fiscal year | 37,400,694 | 5,900,850 | 43,301,544 |
| Payment in lieu of taxes levied for the next fiscal year | 82,603 | 13,074 | 95,677 |
| Delinquent property tax revenue not available | 1,439,295 | 219,988 | 1,659,283 |
| Intergovernmental revenue not available | 167,569 | 3,290 | 170,859 |
| Accrued interest not available | 15,777 | - | 15,777 |
| Total deferred inflows of resources | <u>39,105,938</u> | <u>6,137,202</u> | <u>45,243,140</u> |
| Fund balances: | | | |
| Nonspendable: | | | |
| Materials and supplies inventory | 138,929 | 2,476 | 141,405 |
| Prepays | 72,230 | - | 72,230 |
| Unclaimed monies | 18,893 | - | 18,893 |
| Restricted: | | | |
| Debt service | - | 2,745,605 | 2,745,605 |
| Capital improvements | - | 1,646,959 | 1,646,959 |
| Other purposes | - | 87,909 | 87,909 |
| Extracurricular activities | - | 432,411 | 432,411 |
| Committed: | | | |
| Capital improvements | - | 16,824 | 16,824 |
| Underground storage tanks | 11,000 | - | 11,000 |
| Assigned: | | | |
| Student instruction | 80,531 | - | 80,531 |
| Student and staff support | 445,041 | - | 445,041 |
| Facilities acquisition and construction | 10,934 | - | 10,934 |
| Other non-instructional services | 11,200 | - | 11,200 |
| Other purposes | 133,077 | - | 133,077 |
| Unassigned (deficit) | 23,620,519 | (129,974) | 23,490,545 |
| Total fund balances | <u>24,542,354</u> | <u>4,802,210</u> | <u>29,344,564</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 70,115,971</u> | <u>\$ 11,362,428</u> | <u>\$ 81,478,399</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2015

| | | | |
|--|----|--------------|---------------------|
| Total governmental fund balances | | \$ | 29,344,564 |
| <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. | | | 81,242,319 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | | |
| Property taxes receivable | \$ | 1,659,283 | |
| Accrued interest receivable | | 15,777 | |
| Intergovernmental receivable | | 170,859 | |
| Total | | 170,859 | 1,845,919 |
| Unamortized premiums on bonds issued are not recognized in the funds. | | | (2,633,873) |
| Unamortized amounts on refundings are not recognized in the funds. | | | 1,596,840 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | | (159,806) |
| 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 | | 4,784,039 | |
| Deferred inflows of resources - pension | | (11,547,350) | |
| Net pension liability | | (64,002,086) | |
| Total | | (64,002,086) | (70,765,397) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| General obligation bonds | | (51,767,437) | |
| Compensated absences | | (3,826,325) | |
| Total | | (55,593,762) | (55,593,762) |
| Net position of governmental activities | | \$ | (15,123,196) |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <u>General</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|--|---|
| Revenues: | | | |
| From local sources: | | | |
| Property taxes | \$ 38,103,805 | \$ 6,050,164 | \$ 44,153,969 |
| Payment in lieu of taxes | 94,838 | 13,075 | 107,913 |
| Tuition. | 612,465 | - | 612,465 |
| Transportation fees. | 5,320 | - | 5,320 |
| Earnings on investments | 158,769 | 3 | 158,772 |
| Charges for services | - | 1,300,620 | 1,300,620 |
| Extracurricular. | 285,771 | 640,073 | 925,844 |
| Classroom materials and fees | 199,429 | 44,122 | 243,551 |
| Rental income | 16,457 | - | 16,457 |
| Contributions and donations | 69,400 | 105,412 | 174,812 |
| Contract services. | 115,121 | - | 115,121 |
| Other local revenues | 154,789 | 109,585 | 264,374 |
| Intergovernmental - intermediate | 30,730 | - | 30,730 |
| Intergovernmental - state | 13,306,103 | 1,025,200 | 14,331,303 |
| Intergovernmental - federal | 111,891 | 2,065,079 | 2,176,970 |
| Total revenues | 53,264,888 | 11,353,333 | 64,618,221 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular. | 22,298,836 | 156,511 | 22,455,347 |
| Special | 4,439,451 | 1,174,184 | 5,613,635 |
| Vocational | 858,649 | - | 858,649 |
| Adult/continuing | 28,769 | - | 28,769 |
| Other | 1,548,220 | - | 1,548,220 |
| Support services: | | | |
| Pupil | 2,958,249 | 299,741 | 3,257,990 |
| Instructional staff | 2,476,860 | 97,108 | 2,573,968 |
| Board of education | 16,838 | - | 16,838 |
| Administration | 2,952,968 | - | 2,952,968 |
| Fiscal | 1,192,207 | 112,968 | 1,305,175 |
| Business. | 403,491 | - | 403,491 |
| Operations and maintenance | 4,816,323 | 31,151 | 4,847,474 |
| Pupil transportation | 3,590,241 | 190,780 | 3,781,021 |
| Central | 268,627 | - | 268,627 |
| Operation of non-instructional services: | | | |
| Other operation of non-instructional. | 13,500 | 598 | 14,098 |
| Food service operations. | - | 1,966,901 | 1,966,901 |
| Extracurricular activities | 1,670,984 | 689,874 | 2,360,858 |
| Facilities acquisition and construction. | 112,684 | 828,754 | 941,438 |
| Debt service: | | | |
| Principal retirement. | - | 3,715,000 | 3,715,000 |
| Interest and fiscal charges | - | 2,067,242 | 2,067,242 |
| Total expenditures | 49,646,897 | 11,330,812 | 60,977,709 |
| Excess of revenues over expenditures. | 3,617,991 | 22,521 | 3,640,512 |
| Other financing sources: | | | |
| Proceeds from sale of capital assets | 17,476 | - | 17,476 |
| Total other financing sources | 17,476 | - | 17,476 |
| Net change in fund balances | 3,635,467 | 22,521 | 3,657,988 |
| Fund balances at beginning of year. | 20,925,620 | 4,774,785 | 25,700,405 |
| Increase (decrease) in reserve for inventory | (18,733) | 4,904 | (13,829) |
| Fund balances at end of year. | \$ 24,542,354 | \$ 4,802,210 | \$ 29,344,564 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | | |
|---|--------------------|-------------------------|
| Net change in fund balances - total governmental funds | \$ | 3,657,988 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital asset additions | \$ 1,395,863 | |
| Current year depreciation | <u>(3,445,310)</u> | |
| Total | | (2,049,447) |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position. | | |
| | | (21,079) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | |
| | | (13,829) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property taxes | (238,268) | |
| Earnings on investments | 8,622 | |
| Intergovernmental | <u>(25,279)</u> | |
| Total | | (254,925) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 3,715,000 |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities: | | |
| Change in accrued interest payable | 8,026 | |
| Accreted interest on capital appreciation bonds | (815,278) | |
| Amortization of bond premiums | 329,478 | |
| Amortization of deferred charges | <u>(250,213)</u> | |
| Total | | (727,987) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 4,182,299 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (2,960,417) |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | <u>198,271</u> |
| Change in net position of governmental activities | \$ | <u>5,725,874</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | <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 | \$ 37,817,513 | \$ 37,817,513 | \$ 38,387,995 | \$ 570,482 |
| Tuition | 510,200 | 510,200 | 567,106 | 56,906 |
| Transportation fees | 5,000 | 5,000 | 5,320 | 320 |
| Earnings on investments | 65,000 | 65,000 | 133,772 | 68,772 |
| Extracurricular | 135,300 | 135,300 | 141,645 | 6,345 |
| Classroom materials and fees | 87,100 | 87,100 | 69,041 | (18,059) |
| Rental income | 30,000 | 30,000 | 15,917 | (14,083) |
| Contributions and donations | 200 | 200 | 3,524 | 3,324 |
| Contract services | 62,000 | 62,000 | 71,488 | 9,488 |
| Other local revenues | 258,000 | 258,000 | 132,147 | (125,853) |
| Intergovernmental - intermediate | 35,000 | 35,000 | 30,730 | (4,270) |
| Intergovernmental - state | 13,049,453 | 13,049,453 | 13,268,462 | 219,009 |
| Intergovernmental - federal | 155,000 | 155,000 | 111,892 | (43,108) |
| Total revenues | 52,209,766 | 52,209,766 | 52,939,039 | 729,273 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 22,255,318 | 22,137,239 | 22,091,344 | 45,895 |
| Special | 4,210,802 | 4,556,450 | 4,496,862 | 59,588 |
| Vocational | 781,211 | 866,645 | 831,346 | 35,299 |
| Other | 1,721,668 | 1,600,219 | 1,587,925 | 12,294 |
| Support services: | | | | |
| Pupil | 2,715,367 | 2,799,621 | 2,797,598 | 2,023 |
| Instructional staff | 2,904,014 | 2,623,070 | 2,607,747 | 15,323 |
| Board of education | 21,797 | 21,652 | 16,890 | 4,762 |
| Administration | 2,985,519 | 3,013,712 | 3,002,382 | 11,330 |
| Fiscal | 1,031,772 | 1,222,552 | 1,218,082 | 4,470 |
| Business | 391,950 | 431,263 | 427,232 | 4,031 |
| Operations and maintenance | 4,869,636 | 4,950,572 | 4,940,284 | 10,288 |
| Pupil transportation | 3,057,702 | 3,717,245 | 3,667,171 | 50,074 |
| Central | 256,599 | 284,286 | 269,085 | 15,201 |
| Other operation of non-instructional services | 5,016 | 37,900 | 13,500 | 24,400 |
| Extracurricular activities | 1,636,625 | 1,683,220 | 1,673,042 | 10,178 |
| Facilities acquisition and construction | 948,124 | 116,174 | 108,880 | 7,294 |
| Total expenditures | 49,793,120 | 50,061,820 | 49,749,370 | 312,450 |
| Excess of revenues over expenditures | 2,416,646 | 2,147,946 | 3,189,669 | 1,041,723 |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | 180,000 | 180,000 | 314,987 | 134,987 |
| Refund of prior year's receipts | (1,325) | (1,825) | (1,771) | 54 |
| Transfers (out) | (12,938) | (438) | - | 438 |
| Advances in | 15,000 | 15,000 | 15,000 | - |
| Advances (out) | (12,516) | (16) | - | 16 |
| Proceeds from sale of capital assets | 10,000 | 10,000 | 17,476 | 7,476 |
| Total other financing sources (uses) | 178,221 | 202,721 | 345,692 | 142,971 |
| Net change in fund balance | 2,594,867 | 2,350,667 | 3,535,361 | 1,184,694 |
| Fund balance at beginning of year | 24,379,155 | 24,379,155 | 24,379,155 | - |
| Prior year encumbrances appropriated | 796,768 | 796,768 | 796,768 | - |
| Fund balance at end of year | \$ 27,770,790 | \$ 27,526,590 | \$ 28,711,284 | \$ 1,184,694 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | Private-Purpose Trust | |
|--|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 37,051 | \$ 197,012 |
| Receivables: | | |
| Accounts | - | 648 |
| Total assets. | 37,051 | \$ 197,660 |
| Liabilities: | | |
| Accounts payable. | 21 | \$ 818 |
| Due to students. | - | 196,842 |
| Total liabilities | 21 | \$ 197,660 |
| Net position: | | |
| Held in trust for scholarships | 37,030 | |
| Total net position. | \$ 37,030 | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Interest | \$ 33 |
| Gifts and contributions | 19,632 |
| Total additions | 19,665 |
| Deductions: | |
| Scholarships awarded | 20,652 |
| Change in net position | (987) |
| Net position at beginning of year | 38,017 |
| Net position at end of year | \$ 37,030 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 51st largest by total enrollment among the 918 public and community school districts in the State and 3rd largest in Stark County. The District employs 269 non-certified and 358 certified employees to provide services to 6,091 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

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

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

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

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

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

Stark County Tax Incentive Review Council (SCTIRC)

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

B. Fund Accounting

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

GOVERNMENTAL FUNDS

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

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.

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 5).

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, deferred outflows of resources have been reported for the following two items related the District's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the District's contributions to the pension systems subsequent to the measurement date. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The District also reports a deferred inflow of resources for the net difference between projected and actual earnings on pension plan investments related to the District's net pension liability. This deferred inflow of resources is 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 used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2015, investments were limited to negotiable certificates of deposits, Federal Farm Credit Bank (FFCB) securities, Federal Home Loan Mortgage Corporation (FHLMC) securities, Federal National Mortgage Association (FNMA) securities, Federal Home Loan Bank (FHLB) securities, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a U.S. Government money market account. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2015.

Under existing Ohio statutes all investment earnings are assigned to the general fund except for those specifically related to the Building capital projects fund, or certain trust funds individually authorized by Board resolution. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$158,769, which includes \$26,902 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 year end is provided in Note 4.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

| Description | Governmental Activities <u>Estimated Lives</u> |
|----------------------------|--|
| Land improvements | 15 - 20 years |
| Buildings and improvements | 25 - 50 years |
| Furniture and equipment | 5 - 20 years |
| Vehicles | 6 - 20 years |

I. Bond Issuance Costs/Unamortized Bond Premium and Discount/Deferred Charges on Debt Refunding

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “due to/from other funds” and “interfund loans receivable/payable”. These amounts are eliminated in government activities column on the statement of net position. There were no interfund balances at June 30, 2015.

K. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2015, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future, all employees at least 50 years of age with 10 years of service or any age with at least 15 years of service, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2015 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

M. Fund Balance

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

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

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

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

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

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

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

N. Net Position

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

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

O. Prepayments

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

P. Estimates

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

Q. Interfund Activity

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

R. Pensions

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2015, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 9 to the financial statements, and added required supplementary information which is presented on pages 66-72.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

A net position restatement is required in order to implement GASB Statement No 68 and 71. The governmental activities at July 1, 2014 have been restated as follows:

| | Governmental Activities |
|--|----------------------------|
| Net position as previously reported | \$ 51,138,209 |
| Deferred outflows - payments subsequent to measurement date | 4,042,562 |
| Net pension liability | (76,029,841) |
| Restated net position at July 1, 2014 | \$ (20,849,070) |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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, 2015 included the following individual fund deficits:

| <u>Nonmajor funds</u> | <u>Deficit</u> |
|-----------------------|----------------|
| Food service | \$ 123,325 |
| Title VI-B | 909 |
| Title I | 3,264 |

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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

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

A. Cash on Hand

At fiscal year end, the District had \$2,579 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2015, the carrying amount of all District deposits was \$22,859,865. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$7,669,271 of the District's bank balance of \$23,002,199 was exposed to custodial risk as discussed below, while \$15,332,928 was covered by the FDIC.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

C Investments

As of June 30, 2015 the District had the following investments and maturities:

| Investment type | Fair Value | Investment Maturities | | | |
|------------------------------|----------------------|-----------------------|-------------------|---------------------|------------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | Greater than 24 months |
| FFCB | \$ 497,715 | \$ - | \$ - | \$ - | \$ 497,715 |
| FHLB | 995,530 | - | - | - | 995,530 |
| FHLMC | 2,747,298 | - | - | - | 2,747,298 |
| FNMA | 1,251,148 | - | - | - | 1,251,148 |
| Negotiable CD's | 6,455,116 | 1,738,191 | 249,513 | 1,743,723 | 2,723,689 |
| U.S. Government money market | 106,735 | 106,735 | - | - | - |
| STAR Ohio | 78,146 | 78,146 | - | - | - |
| Total | <u>\$ 12,131,688</u> | <u>\$ 1,923,072</u> | <u>\$ 249,513</u> | <u>\$ 1,743,723</u> | <u>\$ 8,215,380</u> |

The weighted average of maturity of investments is 2.62 years.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2015:

| <u>Investment type</u> | <u>Fair Value</u> | <u>% of Total</u> |
|------------------------------|----------------------|-------------------|
| FFCB | \$ 497,715 | 4.10 |
| FHLB | 995,530 | 8.21 |
| FHLMC | 2,747,298 | 22.65 |
| FNMA | 1,251,148 | 10.31 |
| Negotiable CD's | 6,455,116 | 53.21 |
| U.S. Government money market | 106,735 | 0.88 |
| STAR Ohio | 78,146 | 0.64 |
| Total | <u>\$ 12,131,688</u> | <u>100.00</u> |

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2015:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 22,859,865 |
| Investments | 12,131,688 |
| Cash on hand | <u>2,579</u> |
| Total | <u>\$ 34,994,132</u> |
| <u>Cash and investments per statement of net position</u> | |
| Governmental activities | \$ 34,760,069 |
| Private-purpose trust funds | 37,051 |
| Agency funds | <u>197,012</u> |
| Total | <u>\$ 34,994,132</u> |

NOTE 5 - PROPERTY TAXES

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Stark and Summit Counties. The County Auditor/Fiscal Officer periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$972,115 in the general fund, \$142,599 in the bond retirement fund (a nonmajor governmental fund) and \$28,787 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2014 was \$1,256,305 in the general fund, \$163,341 in the bond retirement fund (a nonmajor governmental fund) and \$36,298 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, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

| | 2014 Second Half Collections | | 2015 First Half Collections | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 1,148,986,700 | 96.60 | \$ 1,170,302,380 | 96.21 |
| Public utility personal | <u>40,442,760</u> | <u>3.40</u> | <u>46,142,170</u> | <u>3.79</u> |
| Total | <u>\$ 1,189,429,460</u> | <u>100.00</u> | <u>\$ 1,216,444,550</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation for: | | | | |
| Operations | \$47.70 | | \$47.60 | |
| Permanent improvement | 1.00 | | 1.00 | |
| Bond | 4.50 | | 4.50 | |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, payment in lieu of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

| | |
|--------------------------|----------------------|
| Property taxes | \$ 46,104,328 |
| Payment in lieu of taxes | 95,677 |
| Accounts | 13,932 |
| Accrued interest | 17,973 |
| Intergovernmental | <u>256,607</u> |
| Total | <u>\$ 46,488,517</u> |

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

NOTE 7 - CAPITAL ASSETS

| | <u>Balance</u> <u>June 30, 2014</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> <u>June 30, 2015</u> |
|---|--|---------------------|-----------------------|--|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 2,457,911 | \$ - | \$ - | \$ 2,457,911 |
| Construction in progress | <u>1,840,589</u> | <u>94,604</u> | <u>(1,890,589)</u> | <u>44,604</u> |
| Total capital assets, not being depreciated | <u>4,298,500</u> | <u>94,604</u> | <u>(1,890,589)</u> | <u>2,502,515</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Land improvements | 8,024,894 | 56,969 | - | 8,081,863 |
| Building and improvements | 109,490,598 | 2,235,931 | - | 111,726,529 |
| Furniture and equipment | 3,647,656 | 40,326 | (81,487) | 3,606,495 |
| Vehicles | <u>5,119,993</u> | <u>858,622</u> | <u>(249,804)</u> | <u>5,728,811</u> |
| Total capital assets, being depreciated | <u>126,283,141</u> | <u>3,191,848</u> | <u>(331,291)</u> | <u>129,143,698</u> |
| <i>Less: accumulated depreciation:</i> | | | | |
| Land improvements | (4,720,464) | (401,008) | - | (5,121,472) |
| Building and improvements | (35,328,726) | (2,718,008) | - | (38,046,734) |
| Furniture and equipment | (2,944,550) | (144,776) | 60,408 | (3,028,918) |
| Vehicles | <u>(4,275,056)</u> | <u>(181,518)</u> | <u>249,804</u> | <u>(4,206,770)</u> |
| Total accumulated depreciation | <u>(47,268,796)</u> | <u>(3,445,310)</u> | <u>310,212</u> | <u>(50,403,894)</u> |
| Governmental activities capital assets, net | <u>\$ 83,312,845</u> | <u>\$ (158,858)</u> | <u>\$ (1,911,668)</u> | <u>\$ 81,242,319</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| <u>Instruction:</u> | |
| Regular | \$ 1,984,903 |
| Special | 89,789 |
| Vocational | 181,749 |
| <u>Support services:</u> | |
| Pupil | 54,120 |
| Instructional staff | 120,343 |
| Administration | 62,845 |
| Fiscal | 22,443 |
| Operations and maintenance | 266,774 |
| Pupil transportation | 197,582 |
| Central | 20,829 |
| Extracurricular activities | 229,238 |
| Food service operations | <u>214,695</u> |
| Total depreciation expense | <u>\$ 3,445,310</u> |

NOTE 8 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2015, the following activity occurred in governmental activities long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 3.A.

| | Restated Balance June 30, 2014 | Increase | Decrease | Balance June 30, 2015 | Amount Due in One Year |
|------------------------------------|--------------------------------------|---------------------|------------------------|--------------------------|------------------------------|
| General obligation bonds | \$ 54,667,159 | \$ 815,278 | \$ (3,715,000) | \$ 51,767,437 | \$ 3,434,178 |
| Retirement incentive | 175,000 | 142,446 | (175,000) | 142,446 | 142,446 |
| Net pension liability | 76,029,841 | - | (12,027,755) | 64,002,086 | - |
| Compensated absences | <u>4,257,269</u> | <u>331,038</u> | <u>(439,680)</u> | <u>4,148,627</u> | <u>511,826</u> |
| Total | <u>\$ 135,129,269</u> | <u>\$ 1,288,762</u> | <u>\$ (16,357,435)</u> | 120,060,596 | <u>\$ 4,088,450</u> |
| Add: unamortized premium | | | | <u>2,633,873</u> | |
| Total on statement of net position | | | | <u>\$ 122,694,469</u> | |

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

Retirement incentive: See Note 9 for details.

Net Pension Liability: See Note 11 for details.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

- B. Series 2005 B Refunding Bonds:** On April 21, 2005, the District issued general obligation bonds (Series 2005B Refunding Bonds) to advance refund a portion of the Series 2000 current interest general obligation bonds (principal \$19,045,000). The issuance proceeds of \$19,044,916 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. On July 11, 2013, the District issued Series 2013 refunding bonds to partially refund \$10,705,000 of the Series 2005B refunding bonds. See Note 8.D.

The refunding issue is comprised of both current interest bonds, par value \$17,435,000, and capital appreciation bonds, par value \$1,609,916. Part of the capital appreciation bonds matured December 1, 2011 (stated interest rate 10.994%) and matured December 1, 2012 (stated interest rate 10.994%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity of the remaining bonds was December 1, 2014. There are no further obligations on this debt.

The following is a schedule of activity for fiscal year 2015 on the Series 2005B refunding bonds:

| | <u>Balance</u> | | | <u>Balance</u> |
|-------------------------------|----------------------|------------------|-------------------|----------------------|
| | <u>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2015</u> |
| Current interest bonds - | | | | |
| Series 2005 B refunding bonds | \$ 2,005,000 | \$ - | \$ (2,005,000) | \$ - |

- C. Series 2007 Refunding Bonds:** On March 2, 2007, the District issued general obligation bonds (Series 2007 Refunding Bonds) to advance refund \$41,495,000 of the Series 2004 Current Interest General Obligation Bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$40,295,000, and capital appreciation bonds, par value \$1,199,973. The interest rates on the current interest bonds range from 3.58% to 4.38%. The remaining capital appreciation bonds mature on December 1, 2015 (stated interest rate 19.048%), December 1, 2016 (stated interest rate 19.052%) and December 1, 2017 (stated interest rate 19.055%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$6,740,000. Total accreted interest of \$3,042,221 has been included on the statement of net position. Interest payments of the current interest bonds are due on June 1 and December 1 of each year. The final maturity date stated on the issue is December 1, 2033.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2015 on the Series 2007 refunding bonds:

| | Balance <u>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2015</u> |
|------------------------------|---------------------------------|-------------------|-----------------------|---------------------------------|
| Current interest bonds - | | | | |
| Series 2007 refunding bonds | \$ 37,265,000 | \$ - | \$ - | \$ 37,265,000 |
| Capital appreciation bonds - | | | | |
| Series 2007 refunding bonds | 1,199,973 | - | (389,757) | 810,216 |
| Capital appreciation bonds - | | | | |
| Accreted interest | <u>3,522,186</u> | <u>815,278</u> | <u>(1,295,243)</u> | <u>3,042,221</u> |
| Total G.O. bonds | <u>\$ 41,987,159</u> | <u>\$ 815,278</u> | <u>\$ (1,685,000)</u> | <u>\$ 41,117,437</u> |

The reacquisition price exceeded the net carrying amount of the old debt by \$2,323,230. 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 following is a summary of the future debt service requirements to maturity for the Series 2007 refunding bonds:

| Fiscal Year Ending <u>June 30,</u> | <u>Current Interest Bonds</u> | | | <u>Capital Appreciation Bonds</u> | | |
|--|-------------------------------|----------------------|----------------------|-----------------------------------|---------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ - | \$ 1,571,692 | \$ 1,571,692 | \$ 322,509 | \$ 1,362,491 | \$ 1,685,000 |
| 2017 | - | 1,571,692 | 1,571,692 | 266,871 | 1,418,129 | 1,685,000 |
| 2018 | - | 1,571,692 | 1,571,692 | 220,836 | 1,464,164 | 1,685,000 |
| 2019 | 1,685,000 | 1,537,992 | 3,222,992 | - | - | - |
| 2020 | 1,755,000 | 1,469,192 | 3,224,192 | - | - | - |
| 2021 - 2025 | 9,885,000 | 6,186,047 | 16,071,047 | - | - | - |
| 2026 - 2030 | 12,190,000 | 3,836,669 | 16,026,669 | - | - | - |
| 2031 - 2034 | <u>11,750,000</u> | <u>1,160,465</u> | <u>12,910,465</u> | - | - | - |
| Total | <u>\$ 37,265,000</u> | <u>\$ 18,905,441</u> | <u>\$ 56,170,441</u> | <u>\$ 810,216</u> | <u>\$ 4,244,784</u> | <u>\$ 5,055,000</u> |

- D. Series 2013 Refunding Bonds:** On July 11, 2013, the District issued general obligation bonds (Series 2013 Refunding Bonds) to advance refund a portion of the Series 2005 B current interest general obligation bonds (principal \$10,705,000). The issuance proceeds of \$10,705,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The balance of the refunded bonds outstanding at June 30, 2015 was \$10,705,000.

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

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NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)

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

The following is a schedule of activity for fiscal year 2015 on the Series 2013 refunding bonds:

| | <u>Balance</u> <u>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|-----------------------------|--|------------------|-------------------|--|
| Current interest bonds - | | | | |
| Series 2013 refunding bonds | \$ 10,675,000 | \$ _____ - | \$ (25,000) | \$ 10,650,000 |

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

| Fiscal Year Ending <u>June 30,</u> | Current Interest Bonds | | |
|--|------------------------|-----------------|---------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2016 | \$ 2,165,000 | \$ 399,922 | \$ 2,564,922 |
| 2017 | 2,255,000 | 307,543 | 2,562,543 |
| 2018 | 2,350,000 | 211,299 | 2,561,299 |
| 2019 | 2,445,000 | 111,084 | 2,556,084 |
| 2020 | 1,435,000 | 29,991 | 1,464,991 |
| Total | \$ 10,650,000 | \$ 1,059,839 | \$ 11,709,839 |

E. 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, 2015, are a voted debt margin of \$63,500,399 (including available funds of \$2,745,605) and an unvoted debt margin of \$1,216,445.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Non-certified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators are employed to work no more than 226 days per year. Teachers, administrators and non-certified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 350 days for both non-certified and certified employees. Upon retirement, non-certified employees and certified employees with less than fifteen years with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 50 days. Upon retirement, non-certified and certified employees with fifteen years or more with the District receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 72 days for certified employees and 73 days for classified employees. In addition, certified and classified employees shall be paid \$10 per day for every day of sick leave accumulated from 200 to 300 days and \$20 per day from 301 days up to a maximum of 350 days.

B. Retirement Incentive

A one-time retirement bonus in the amount of \$20,000 will be available to certified employees who become first time eligible for retirement or reach 30 years of service under STRS guidelines and retire effective at the end of the school year in which they qualify. If the member fails to take the incentive when first eligible, he/she forfeits the incentive. During fiscal year 2015, five employees took advantage of this incentive.

C. Life Insurance

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

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles for which the policy period was September 1, 2014 through September 1, 2015. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100% blanket coverage. The following is a description of the District's insurance coverage:

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|--|----------------|---------------------------|-------------------|
| General Liability: | Liberty Mutual | | |
| Each Occurrence | | \$ 1,000,000 | \$ 0 |
| General Aggregate | | 2,000,000 | |
| Products/Complete Operations Aggregate | | 2,000,000 | 0 |
| Building and Contents | Liberty Mutual | | 5,000 |
| Replacement Cost | | 195,960,422 | |

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - RISK MANAGEMENT - (Continued)

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|---|----------------|-------------------------------|-------------------|
| Fleet: | Liberty Mutual | | |
| Auto Liability | | \$1,000,000 | \$ 0 |
| Uninsured Motorist | | 50,000 | 0 |
| Comprehensive | | | 250 |
| Collision | | | 500 |
| Umbrella Liability - Each Occurrence | Liberty Mutual | 6,000,000 | |
| General Aggregate | | 6,000,000 | 10,000 |
| Product/Completed Ops Aggregate | | 6,000,000 | Retention |
| Employee Benefits Liability | Liberty Mutual | | |
| Each Employee | | 1,000,000 | 1,000 |
| Aggregate | | 3,000,000 | |
| School Leaders Errors and Omissions Liability | Liberty Mutual | | |
| Each Wrongful Act | | 1,000,000 | 2,500 |
| Aggregate | | 1,000,000 | |
| School Law Enforcement Liability | Liberty Mutual | | |
| Each Wrongful Act | | 1,000,000 | 2,500 |
| Aggregate | | 1,000,000 | 0 |
| Sexual Misconduct and Molestation Liability | Liberty Mutual | | |
| Each Loss Limit | | 1,000,000 | 0 |
| Aggregate | | 1,000,000 | 0 |
| Employers Stop GAP Liability | Liberty Mutual | 1,000,000 | |
| Bodily Injury by Accident/ Each Accident Limit | | 1,000,000 | 0 |
| Bodily Injury by Disease/ Policy Limit | | 1,000,000 | |
| Bodily Injury by Disease/ Each Employee Limit | | 1,000,000 | |
| Aggregate Limit | | 2,000,000 | |

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

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - RISK MANAGEMENT - (Continued)

B. Shared Risk Pool

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of an 85 member council of which 66 are member school Districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,509.63 for family coverage and \$621.44 for single coverage per employee per month. The District pays dental premiums of \$194.66 for family coverage and \$78.91 for single coverage per employee per month.

C. Workers' Compensation

For fiscal year 2015, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (see Note 2.A.). 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 school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. 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 "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - 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 –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 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$1,058,524 for fiscal year 2015. Of this amount \$125,710 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 11 - 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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$3,123,775 for fiscal year 2015. Of this amount, \$515,224 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, 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 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> |
|--|--------------|--------------|--------------|
| Proportionate Share of the Net Pension Liability | \$12,919,221 | \$51,082,865 | \$64,002,086 |
| Proportion of the Net Pension Liability | 0.25527300% | 0.21001479% | |
| Pension Expense | \$764,308 | \$2,196,109 | \$2,960,417 |

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | SERS | STRS | Total |
|--|-------------|-------------|--------------|
| Deferred Outflows of Resources | | | |
| Differences between expected and actual experience | \$109,956 | \$491,784 | \$601,740 |
| District contributions subsequent to the measurement date | 1,058,524 | 3,123,775 | 4,182,299 |
| Total Deferred Outflows of Resources | \$1,168,480 | \$3,615,559 | \$4,784,039 |
| Deferred Inflows of Resources | | | |
| Net difference between projected and actual earnings on pension plan investments | \$2,096,826 | \$9,450,524 | \$11,547,350 |
| Total Deferred Inflows of Resources | \$2,096,826 | \$9,450,524 | \$11,547,350 |

\$4,182,299 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | SERS | STRS | Total |
|-----------------------------|---------------|---------------|----------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | (\$496,718) | (\$2,239,685) | (\$2,736,403) |
| 2017 | (496,718) | (2,239,685) | (2,736,403) |
| 2018 | (496,718) | (2,239,685) | (2,736,403) |
| 2019 | (496,716) | (2,239,685) | (2,736,401) |
| Total | (\$1,986,870) | (\$8,958,740) | (\$10,945,610) |

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.

**JACKSON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2014, are presented below:

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$18,431,889 | \$12,919,221 | \$8,282,591 |

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Domestic Equity | 31.00 % | 8.00 % |
| International Equity | 26.00 | 7.85 |
| Alternatives | 14.00 | 8.00 |
| Fixed Income | 18.00 | 3.75 |
| Real Estate | 10.00 | 6.75 |
| Liquidity Reserves | 1.00 | 3.00 |
| Total | 100.00 % | |

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. 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, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$73,130,691 | \$51,082,865 | \$32,437,824 |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$131,966.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$190,764, \$131,497, and \$128,208, respectively. For fiscal year 2015, 88.12 percent has been contributed, with the balance being reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2014 and 2013.

B. State Teachers Retirement System

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) 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 reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$218,965, and \$210,616 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

| | <u>General fund</u> |
|---|---------------------|
| Budget basis | \$ 3,535,361 |
| Net adjustment for revenue accruals | (226,094) |
| Net adjustment for expenditure accruals | 11,729 |
| Net adjustment for other sources/uses | (313,216) |
| Funds budgeted elsewhere | 32,953 |
| Adjustment for encumbrances | <u>594,734</u> |
| GAAP basis | <u>\$ 3,635,467</u> |

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

NOTE 14 - CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to legal proceedings at June 30, 2015.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 15 - SET-ASIDES

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

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Set-aside balance June 30, 2014 | \$ - |
| Current year set-aside requirement | 1,015,684 |
| Contributions in excess of the current fiscal year set-aside requirement | - |
| Current year qualifying expenditures | - |
| Excess qualified expenditures from prior years | - |
| Current year offsets | (1,282,224) |
| Waiver granted by ODE | - |
| Prior year offset from bond proceeds | - |
| Total | <u>\$ (266,540)</u> |
| Balance carried forward to fiscal year 2016 | <u>\$ -</u> |
| Set-aside balance June 30, 2015 | <u>\$ -</u> |

NOTE 16 - CONTRACTUAL COMMITMENTS

As of June 30, 2015, the District had the following contractual commitments outstanding:

| <u>Vendor</u> | <u>Total Contract</u> | <u>Amount Paid</u> | <u>Remaining Commitment June 30, 2015</u> |
|--------------------------|---------------------------|------------------------|---|
| Vasco Asphalt Paving Co. | \$ 69,513 | \$ (29,797) | \$ 39,716 |
| Tremco, Inc. | 234,950 | (119,693) | 115,257 |
| Total | <u>\$ 304,463</u> | <u>\$ (149,490)</u> | <u>\$ 154,973</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 | \$ 264,633 |
| Other governmental | <u>624,653</u> |
| Total | <u>\$ 889,286</u> |

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REQUIRED SUPPLEMENTARY INFORMATION

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | <u>2014</u> | <u>2013</u> |
|---|---------------|---------------|
| District's proportion of the net pension liability | 0.25527300% | 0.25527300% |
| District's proportionate share of the net pension liability | \$ 12,919,221 | \$ 15,180,266 |
| District's covered-employee payroll | \$ 7,492,662 | \$ 7,266,850 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 172.42% | 208.90% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.70% | 65.52% |

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO FISCAL YEARS

| | 2014 | 2013 |
|---|---------------|---------------|
| District's proportion of the net pension liability | 0.21001479% | 0.21001479% |
| District's proportionate share of the net pension liability | \$ 51,082,865 | \$ 60,849,575 |
| District's covered-employee payroll | \$ 23,108,300 | \$ 21,061,631 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 221.06% | 288.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.70% | 69.30% |

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the District's measurement date which is the prior fiscal year.

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 1,058,524 | \$ 1,038,483 | \$ 1,005,732 | \$ 1,060,549 |
| Contributions in relation to the contractually required contribution | <u>(1,058,524)</u> | <u>(1,038,483)</u> | <u>(1,005,732)</u> | <u>(1,060,549)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 8,031,290 | \$ 7,492,662 | \$ 7,266,850 | \$ 7,885,123 |
| Contributions as a percentage of covered-employee payroll | 13.18% | 13.86% | 13.84% | 13.45% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 941,143 | \$ 983,344 | \$ 687,495 | \$ 691,503 | \$ 724,131 | \$ 787,797 |
| <u>(941,143)</u> | <u>(983,344)</u> | <u>(687,495)</u> | <u>(691,503)</u> | <u>(724,131)</u> | <u>(787,797)</u> |
| <u>\$ -</u> |
| \$ 7,487,216 | \$ 7,262,511 | \$ 6,986,738 | \$ 7,041,782 | \$ 6,780,253 | \$ 7,446,096 |
| 12.57% | 13.54% | 9.84% | 9.82% | 10.68% | 10.58% |

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

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

| | LAST TEN FISCAL YEARS | | | |
|--|-----------------------|--------------------|--------------------|--------------------|
| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
| Contractually required contribution | \$ 3,123,775 | \$ 3,004,079 | \$ 2,738,012 | \$ 2,977,463 |
| Contributions in relation to the contractually required contribution | <u>(3,123,775)</u> | <u>(3,004,079)</u> | <u>(2,738,012)</u> | <u>(2,977,463)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered-employee payroll | \$ 22,312,679 | \$ 23,108,300 | \$ 21,061,631 | \$ 22,903,562 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 13.00% | 13.00% | 13.00% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 2,828,903 | \$ 2,818,070 | \$ 2,760,578 | \$ 2,755,824 | \$ 2,772,476 | \$ 2,986,962 |
| <u>(2,828,903)</u> | <u>(2,818,070)</u> | <u>(2,760,578)</u> | <u>(2,755,824)</u> | <u>(2,772,476)</u> | <u>(2,986,962)</u> |
| <u>\$ -</u> |
| \$ 21,760,792 | \$ 21,677,462 | \$ 21,235,215 | \$ 21,198,646 | \$ 21,326,738 | \$ 22,976,631 |
| 13.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal year 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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 2014 and 2015.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal year 2014 and 2015. See the notes to the basic financial statements for the methods and assumptions in this calculation.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|----------------------------------|---------------------------|--------------------|----------------------|--------------------|--------------------------|
| Program / Cluster Title | | | | | | |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| School Breakfast Program | 049858-3L70-2015 | 10.553 | \$43,028 | | \$43,028 | |
| National School Lunch Program | 049858-3L60-2015 | 10.555 | 454,388 | \$76,395 | 454,388 | \$76,395 |
| Total Nutrition Cluster | | | <u>497,416</u> | <u>76,395</u> | <u>497,416</u> | <u>76,395</u> |
| Total U.S. Department of Agriculture | | | <u>497,416</u> | <u>76,395</u> | <u>497,416</u> | <u>76,395</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education</i> | | | | | | |
| Title I Grants to Local Educational Agencies Cluster: | | | | | | |
| Title I Grants to Local Educational Agencies | 049858-3M00-2014 | 84.010 | 39,746 | | 67,306 | |
| Title I Grants to Local Educational Agencies | 049858-3M00-2015 | 84.010 | 444,592 | | 402,286 | |
| Total Title I Grants to Local Educational Agencies | | | <u>484,338</u> | | <u>469,592</u> | |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States | 049858-3M20-2014 | 84.027 | 67,886 | | 116,539 | |
| Special Education Grants to States | 049858-3M20-2015 | 84.027 | 844,866 | | 778,703 | |
| Total Special Education Cluster | | | <u>912,752</u> | | <u>895,242</u> | |
| English Language Acquisition Grants | 049858-3Y70-2015 | 84.365 | 19,675 | | 19,675 | |
| Race to the Top | 049858-3FD0-2015 | 84.395A | 2,054 | | 2,054 | |
| Innovative Race to the Top | 049858-3FD0-2015 | 84.395A | 900 | | 927 | |
| Total Race to the Top | | | <u>2,954</u> | | <u>2,981</u> | |
| Improving Teacher Quality State Grants | 049858-3Y60-2015 | 84.367 | 95,474 | | 95,474 | |
| Total Improving Teacher Quality State Grants | | | <u>95,474</u> | | <u>95,474</u> | |
| <i>Total Passed Through Ohio Department of Education</i> | | | <u>1,515,193</u> | | <u>1,482,964</u> | |
| <i>Passed Through Plain Local School District</i> | | | | | | |
| Vocational Education Basic Grants to States | N/A | 84.048 | 34,600 | | 34,600 | |
| Total U.S. Department of Education | | | <u>1,549,793</u> | | <u>1,517,564</u> | |
| Total Federal Financial Assistance | | | <u>\$2,047,209</u> | <u>\$76,395</u> | <u>\$2,014,980</u> | <u>\$76,395</u> |

The accompanying notes are an integral part of this schedule.

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2015**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Receipts and Expenditures (the Schedule) reports the Jackson Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – 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.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Jackson Local School District, Stark County, (the District) as of and for the year ended June 30, 2015, 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 4, 2015, wherein we noted the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Jackson Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Jackson Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Jackson Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

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 OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 4, 2015

**JACKSON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

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 control weaknesses 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 internal control weaknesses 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 § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Nutrition Cluster 10.555 National School Lunch Program and 10.553 National School Breakfast Program |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

JACKSON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 29, 2015**