

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

TONY MEYER, TREASURER



Dave Yost • Auditor of State

Board of Education
Jackson Center Local School District
204 S. Linden St.
Jackson Center, OH 45334

We have reviewed the *Independent Auditor's Report* of the Jackson Center Local School District, Shelby County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 7, 2017

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

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position - Cash Basis	14
Statement of Activities - Cash Basis	15
Fund Financial Statements:	
Statement of Assets and Fund Balances - Cash Basis - Governmental Funds.....	16
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis - Governmental Funds.....	17
Statement of Cash Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budget Basis - General Fund	18
Statement of Fiduciary Net Position - Cash Basis - Fiduciary Fund.....	19
Notes to the Basic Financial Statements.....	20 - 47
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	48 - 49
Schedule of Findings and Responses.....	50 - 52
Summary Schedule of Prior Audit Findings.....	53



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jackson Center Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of June 30, 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of the Jackson Center Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Jackson Center Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
October 28, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Jackson Center Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net cash position of governmental activities increased \$3,922,196 from fiscal year 2015, which is primarily attributable to the District's participation in the Ohio Facilities Construction Commission (OFCC). During the current fiscal year, the District received \$3,169,707 in related State grants.
- General cash receipts accounted for \$10,031,583 in cash receipts or 87.33% of total cash receipts. Program specific cash receipts in the form of charges for services and sales and grants and contributions accounted for \$1,455,003 in cash receipts or 12.67% of total cash receipts of \$11,486,586.
- The District had \$7,564,390 in cash disbursements related to governmental activities; \$1,455,003 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and restricted grants for the Ohio Facilities Construction Commission) of \$10,031,583 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, the bond retirement fund, the building fund, and the classroom facilities fund. The general fund had \$6,393,506 in cash receipts and \$5,051,282 in cash disbursements and other financing uses. During fiscal year 2016, the general fund's fund cash balance increased \$1,342,224 from \$1,084,368 to \$2,426,592.
- The bond retirement fund had \$1,127,298 in cash receipts and \$986,467 in cash disbursements. During fiscal year 2016, the bond retirement fund's fund cash balance increased \$140,831 from \$731,540 to \$872,371.
- The building fund had \$17,475 in cash receipts and \$122,636 in cash disbursements. During fiscal year 2016, the building fund's fund cash balance decreased \$105,161 from \$3,362,407 to \$3,257,246.
- The classroom facilities fund had \$3,204,719 in cash receipts and \$761,509 in cash disbursements. During fiscal year 2016, the classroom facilities fund's fund cash balance increased \$2,443,210 from \$6,727,554 to \$9,170,764.

Using the Cash Basis Basic Financial Statements (BFS)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Reporting the District as a Whole

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at cash basis financial transactions and asks the question, "How did the District do financially during fiscal year 2016?" The statement of net position – cash basis and the statement of activities – cash basis answer this question. These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

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

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

The District's statement of net position – cash basis and statement of activities – cash basis can be found on pages 14-15 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 5. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, the bond retirement fund, the building fund, and the classroom facilities fund.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer cash basis financial resources that can be spent in the near future to finance educational programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The basic governmental fund financial statements can be found on pages 16-18 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position – cash basis on page 19. 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 20-47 of this report

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2016 and June 30, 2015.

	Net Cash Position	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 15,816,716	\$ 11,894,520
Total assets	<u>15,816,716</u>	<u>11,894,520</u>
<u>Net cash position</u>		
Restricted	13,551,878	10,996,489
Unrestricted	<u>2,264,838</u>	<u>898,031</u>
Total net cash position	<u>\$ 15,816,716</u>	<u>\$ 11,894,520</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Over time, net cash position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's total net cash position was \$15,816,716. The significant increase in net cash position is the result of the District's participation in the OFCC project.

A portion of the District's net cash position, \$13,551,878, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$2,264,838 may be used to meet the District's ongoing obligations to its students and creditors.

The table below shows the change in net cash position for fiscal years 2016 and 2015.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<u>Cash receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 860,415	\$ 822,972
Operating grants and contributions	594,588	421,909
General cash receipts:		
Property taxes	2,697,131	2,185,794
Income taxes	839,806	798,495
Grants and entitlements	6,370,198	2,405,038
Investment earnings	54,981	5,507
Sale of bonds	-	10,085,000
Premium on bonds	-	203,387
Miscellaneous	<u>69,467</u>	<u>69,138</u>
Total cash receipts	<u>11,486,586</u>	<u>16,997,240</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Change in Net Cash Position (Continued)	
	Governmental Activities	Governmental Activities
	<u>2016</u>	<u>2015</u>
<u>Cash disbursements</u>		
Current:		
Instruction:		
Regular	\$ 2,822,940	\$ 3,074,273
Special	580,356	420,363
Vocational	425	1,110
Other	1,268	-
Support services:		
Pupil	236,384	283,604
Instructional staff	8,703	29,907
Board of education	19,018	15,538
Administration	383,706	378,184
Fiscal	289,320	280,380
Operations and maintenance	480,097	479,944
Pupil transportation	227,358	233,096
Operation of non-instructional services:		
Food service operations	249,178	251,720
Extracurricular activities	288,101	261,560
Facilities acquisition and construction	987,429	1,194
Debt service:		
Principal retirement	540,851	229,836
Interest and fiscal charges	449,256	205,046
Bond issuance costs	-	203,387
Total cash disbursements	<u>7,564,390</u>	<u>6,349,142</u>
Change in net cash position	3,922,196	10,648,098
Net cash position at beginning of year	<u>11,894,520</u>	<u>1,246,422</u>
Net cash position at end of year	<u>\$ 15,816,716</u>	<u>\$ 11,894,520</u>

Governmental Activities

Net cash position of the District's governmental activities increased \$3,922,196. Total governmental cash disbursements of \$7,564,390 were offset by program cash receipts of \$1,455,003 and general cash receipts of \$10,031,583. Program cash receipts supported 19.23% of the total governmental cash disbursements.

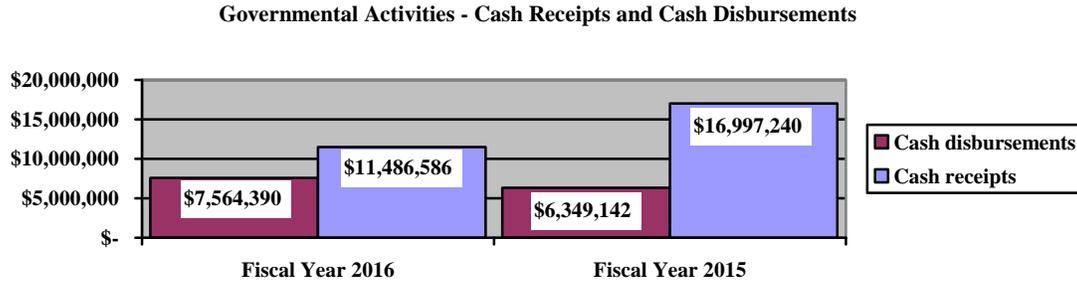
The primary sources of cash receipts for governmental activities are derived from property taxes, income taxes, and grants and entitlements. These cash receipt sources represent 86.25% of the total governmental cash receipts. The District received \$3,169,707 in OFCC grant proceeds, which represented a large portion of the total governmental cash receipts during fiscal year 2016. Property taxes increased primarily due to an increase in real estate taxes.

The largest cash disbursement category of the District is for instructional programs. Instruction cash disbursements totaled \$3,378,446 or 44.66% of total governmental cash disbursements for fiscal year 2016.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The graph below presents the District's governmental activities cash receipts and cash disbursements for fiscal years 2016 and 2015.



The statement of activities – cash basis shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for fiscal years 2016 and 2015. That is, it identifies the cost of these services supported by tax receipts, unrestricted State grants and entitlements, and other general cash receipts.

Governmental Activities

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Cash disbursements:				
Instruction:				
Regular	\$ 2,822,940	\$ 2,177,179	\$ 3,074,273	\$ 2,465,635
Special	580,356	272,635	420,363	165,110
Vocational	425	(5,030)	1,110	(3,978)
Adult/continuing	1,268	1,268	-	-
Support services:				
Pupil	236,384	159,372	283,604	282,018
Instructional staff	8,703	8,703	29,907	29,907
Board of education	19,018	16,683	15,538	11,775
Administration	383,706	383,706	378,184	378,184
Fiscal	289,320	289,320	280,380	280,380
Operations and maintenance	480,097	480,097	479,944	479,944
Pupil transportation	227,358	223,128	233,096	233,096
Operation of non-instructional services:				
Food service operations	249,178	30,637	251,720	49,394
Extracurricular activities	288,101	94,153	261,560	93,333
Facilities acquisition and construction	987,429	987,429	1,194	1,194
Debt service:				
Principal retirement	540,851	540,851	229,836	229,836
Interest and fiscal charges	449,256	449,256	205,046	205,046
Bond issuance costs	-	-	203,387	203,387
Total cash disbursements	<u>\$ 7,564,390</u>	<u>\$ 6,109,387</u>	<u>\$ 6,349,142</u>	<u>\$ 5,104,261</u>

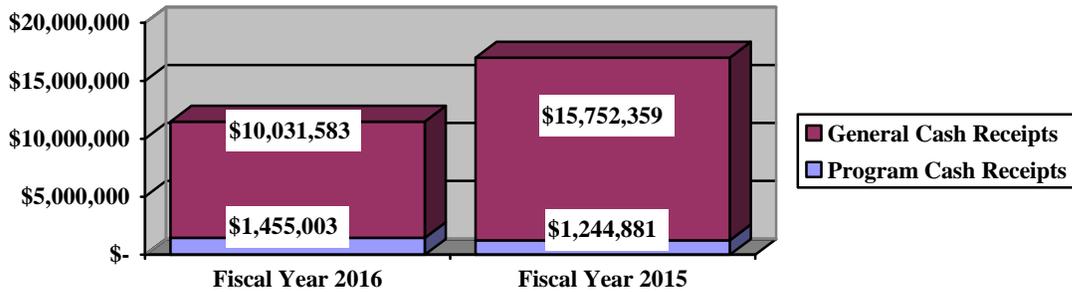
**JACKSON CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The dependence upon taxes and other general cash receipts for governmental activities is apparent, as 71.62% of instructional activities are supported through taxes and other general cash receipts. For all governmental activities, general cash receipt support is 80.77%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for the District's students.

The graph below presents the District's governmental activities cash receipts for fiscal years 2016 and 2015.

Governmental Activities - General and Program Cash Receipts



The District's Funds

The District's governmental funds reported a combined fund cash balance of \$15,816,716, which is greater than last year's total fund cash balance of \$11,894,520. The table below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2016 and June 30, 2015.

	Fund Cash Balance June 30, 2016	Fund Cash Balance (Deficit) June 30, 2015	Increase/ (Decrease)	Percentage Change
General	\$ 2,426,592	\$ 1,084,368	\$ 1,342,224	123.78 %
Bond retirement	872,371	731,540	140,831	19.25 %
Building	3,257,246	3,362,407	(105,161)	(3.13) %
Classroom facilities	9,170,764	6,727,554	2,443,210	36.32 %
Nonmajor governmental	<u>89,743</u>	<u>(11,349)</u>	<u>101,092</u>	<u>(890.76) %</u>
Total	<u>\$ 15,816,716</u>	<u>\$ 11,894,520</u>	<u>\$ 3,922,196</u>	<u>32.97 %</u>

General Fund

The District's general fund cash balance increased \$1,342,224.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The table that follows assists in illustrating the financial activities and fund cash balance of the general fund for fiscal years 2016 and 2015.

	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>	<u>Increase/</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts</u>				
Taxes	\$ 2,437,560	\$ 2,224,844	\$ 212,716	9.56 %
Tuition	529,507	531,668	(2,161)	(0.41) %
Earnings on investments	2,494	546	1,948	356.78 %
Intergovernmental	3,310,644	2,546,248	764,396	30.02 %
Other receipts	<u>113,301</u>	<u>132,920</u>	<u>(19,619)</u>	<u>(14.76) %</u>
Total	<u>\$ 6,393,506</u>	<u>\$ 5,436,226</u>	<u>\$ 957,280</u>	<u>17.61 %</u>
<u>Cash disbursements</u>				
Instruction	\$ 3,264,251	\$ 3,416,482	\$ (152,231)	(4.46) %
Support services	1,515,349	1,588,160	(72,811)	(4.58) %
Extracurricular activities	109,283	109,209	74	0.07 %
Facilities acquisition and construction	97,520	1,194	96,326	8,067.50 %
Debt service	<u>24,879</u>	<u>24,879</u>	<u>-</u>	<u>- %</u>
Total	<u>\$ 5,011,282</u>	<u>\$ 5,139,924</u>	<u>\$ (128,641)</u>	<u>(2.50) %</u>

Overall cash receipts of the general fund increased \$957,280 or 17.61% during fiscal year 2016. Taxes increased \$212,716 or 9.56% primarily due to an increase in real estate taxes and income taxes. Intergovernmental revenues increased \$764,396 or 30.02% due to an increase in State foundation receipts. Other receipts decreased \$19,619 or 14.76% mainly due to a reduction in miscellaneous receipts, class fees and contract service receipts received by the District. All other cash receipt classifications remained comparable to the prior fiscal year.

Overall cash disbursements of the general fund decreased \$128,641 or 2.50% during fiscal year 2016. The decreases in instruction and support services cash disbursements can be attributed to a decrease in current year wages and benefits. The increase in facilities acquisition and construction is due to the District making additional capital asset purchases from the general fund in fiscal year 2016 compared to fiscal year 2015. All other cash disbursement classifications remained comparable to the prior fiscal year.

Bond Retirement Fund

During fiscal year 2016, the bond retirement fund's fund cash balance increased \$140,831 from \$731,540 to \$872,371, which was due to the increase in property tax revenue collected in fiscal year 2016 compared to fiscal year 2015.

Building Fund

During fiscal year 2016, the building fund's fund cash balance decreased \$105,161 from \$3,362,407 to \$3,257,246, which was due to spending of bond proceeds issued in the prior year for capital improvements.

Classroom Facilities Fund

During fiscal year 2016, the classroom facilities fund's fund cash balance increased \$2,443,210 from \$6,727,554 to \$9,170,764, which was due to the receipt of \$3,169,707 in OFCC grant proceeds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

General Fund Budgeting Highlights

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

For the general fund, original budgeted receipts of \$6,200,000 matched exactly to the final budgeted receipts. The actual receipts for fiscal year 2016 were \$6,378,520. This represents a \$178,520 increase from the final budgeted amounts.

General fund original budgeted disbursements and other financing uses of \$6,289,339 matched exactly to the final budgeted disbursements and other financing uses. The actual disbursements and other financing uses for fiscal year 2016 totaled \$5,231,934, which were \$1,057,405 less than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as cash disbursements. The District had facilities acquisition and construction cash disbursements of \$987,429 during fiscal year 2016.

Debt Administration

At June 30, 2016, the District had \$9,775,000 in capital improvement bonds, \$2,850,000 in current interest bonds, \$95,000 in capital appreciation bonds, \$197,661 in accreted interest, and \$69,173 in capital lease obligations. Of this total, \$481,917 is due within one year and \$12,504,917 is due in more than one year. The following table summarizes the debt outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
Capital improvement bonds	\$ 9,775,000	\$ 10,085,000
Current interest bonds	2,850,000	3,060,000
Capital appreciation bonds	95,000	95,000
Accreted interest	197,661	140,318
Capital lease obligations	<u>69,173</u>	<u>90,024</u>
Total	<u>\$ 12,986,834</u>	<u>\$ 13,470,342</u>

At June 30, 2016, the District's overall legal debt margin was \$(4,686,894), with an unvoted debt margin of \$79,580.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current Financial Related Activities

The District's financial status strengthened in fiscal year 2016, and is projected to continue improvement over the course of the current five-year forecast. As the preceding information shows, the District relies heavily upon property taxes to fund operations, but has diversified through the passage of a 1.0% earned income tax (EIT), which took effect on January 1, 2010, and another 0.5% EIT, which took effect on January 1, 2014. The 0.5% EIT will only be in effect for five years before requiring renewal. The District allowed a 7.5 mill, five-year limited property tax to roll off when this EIT began. The District is now, essentially, at the 20 mill floor. A loss of State funding, particularly over \$200,000 in a two-year period from the reduction of TPP Hold Harmless Payments, along with other State budget challenges were the main reasons for the additional 0.5% EIT. In fiscal year 2014, approximately 6.3% of all receipts were from TPP Hold Harmless Payments. Within the state's biennial budget, these payments are being reduced and are headed toward elimination, but the biennial budget also strengthened assistance to the District, buoyed mainly by 1 of 3 new components, which supplements districts who generate less than the state average for 1 mill.

Fiscal year 2017 is expected to have only very moderate growth in real estate receipts. The majority of land in the District is in Shelby County, which realized a large increase in agricultural land values over the past 2 years. As a result, agriculture makes up approximately 43% of the District's valuation. Additionally, a local business' abatement has ended (Plastipak), and instead of payments in lieu of taxes, real tax receipts will be realized, while two other businesses have grown through building expansion (Airstream) and a new building (EMI).

The District passed an 8.3 mill Building Levy in November of 2014, and passed a renewal of its 1.0 mill Permanent Improvement Levy in May of 2015. Groundbreaking for the \$17 million K-8 building occurred in late spring of 2016. Manpower has been reduced by eight full-time equivalents (FTE) since 2004 (approximately 10%), but the District added back 1.5 FTE for the 2014-2015 school year, and another 2.0 FTE for the 2015-2016 school year, while reducing costs for elementary school students to the educational service center by housing that unit at the District. All employees took a two-year freeze in wages in the two-year contract ending in July of 2013. The most recent contract signed for the next two years further strengthens the District's financial controls, as all employees agreed to a flat lump-sum increase in year one of the two-year contract. This amount is equal to 1.5% of total salaries. The second year allowed the District to take that same concept and amount, and employees were provided a mix of salary increase or lump-sum, dependent upon years of service. Introduction of lump sums positioned the District for potential changes coming in performance evaluations, strengthens cost avoidance potential on rising salaries and allowed for a slight narrowing of the bandwidth of salaries between entry level and its top salary. For the 2015-2016 and 2016-2017 contract, the same methodology was applied while all employees received an increase to wages of 4% in year 1 and 3.5% in year 2. This includes all costs as there are no other bumps in salary unless through achievement of a masters degree or certain levels of additional development training hours.

The District's enrollment had seen declines in the early part of the decade but rebounded and has remained quite stable the last several years as younger families are now viewing the District as a school of choice based on both academic and extra-curricular successes. The District's academic test results continue to climb and have stabilized at a very high level, creating an optimistic outlook that enrollment will be stable and/or grow. District enrollment remained flat in 2015-2016.

The Board of Education has remained engaged in managing costs, with a focus on salaries and benefits. This focus, along with aforementioned manpower management, has resulted in a 10 year period where total salary cost has grown a total of 2.5%, or .25%/year for 10 years. This culminated in FY16 disbursements being significantly outpaced by receipts.

A newer housing development in the area continues to grow and fill, with around 15 new homes built. It is unclear as to whether this development will continue, but vacant houses have recently declined in the area, which is a positive sign.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

In conclusion, the District will remain focused on managing costs, while the five-year forecast has receipts outpacing disbursements in all fiscal years. The District is well on its way to a total recovery, and beyond, of its bank and general fund carryover balances.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 15,816,716
Total assets.	15,816,716
 Net cash position:	
Restricted for:	
Capital projects	12,544,994
Classroom facilities maintenance	48,819
Debt service.	872,371
Locally funded programs	1,967
State funded programs.	11,285
Student activities	53,718
Other purposes	18,724
Unrestricted	2,264,838
Total net cash position	\$ 15,816,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 2,822,940	\$ 551,700	\$ 94,061	\$ (2,177,179)
Special	580,356	6,655	301,066	(272,635)
Vocational	425	-	5,455	5,030
Adult/continuing.	1,268	-	-	(1,268)
Support services:				
Pupil.	236,384	-	77,012	(159,372)
Instructional staff	8,703	-	-	(8,703)
Board of education	19,018	-	2,335	(16,683)
Administration.	383,706	-	-	(383,706)
Fiscal.	289,320	-	-	(289,320)
Operations and maintenance	480,097	-	-	(480,097)
Pupil transportation.	227,358	-	4,230	(223,128)
Operation of non-instructional services:				
Food service operations	249,178	109,757	108,784	(30,637)
Extracurricular activities.	288,101	192,303	1,645	(94,153)
Facilities acquisition and construction.	987,429	-	-	(987,429)
Debt service:				
Principal retirement	540,851	-	-	(540,851)
Interest and fiscal charges	449,256	-	-	(449,256)
Totals	\$ 7,564,390	\$ 860,415	\$ 594,588	(6,109,387)

General cash receipts:

Property taxes levied for:	
General purposes	1,597,754
Debt service.	1,015,211
Capital outlay.	52,552
Special revenue	31,614
Income taxes levied for:	
General purposes	839,806
Grants and entitlements not restricted	
to specific programs	3,200,491
Grants and entitlements restricted for	
Ohio Facilities Construction Commission	3,169,707
Investment earnings	54,981
Miscellaneous	69,467
Total general cash receipts	10,031,583
Change in net cash position.	3,922,196
Net cash position at beginning of year.	11,894,520
Net cash position at end of year	\$ 15,816,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents . . .	\$ 2,426,592	\$ 872,371	\$ 3,257,246	\$ 9,170,764	\$ 89,743	\$ 15,816,716
Total assets	<u>\$ 2,426,592</u>	<u>\$ 872,371</u>	<u>\$ 3,257,246</u>	<u>\$ 9,170,764</u>	<u>\$ 89,743</u>	<u>\$ 15,816,716</u>
Fund cash balances:						
Restricted:						
Debt service	\$ -	\$ 872,371	\$ -	\$ -	\$ -	\$ 872,371
Capital improvements	-	-	3,257,246	9,170,764	116,984	12,544,994
Classroom facilities maintenance	-	-	-	-	48,819	48,819
Food service operations	-	-	-	-	18,724	18,724
Extracurricular.	-	-	-	-	53,718	53,718
Other purposes.	-	-	-	-	13,252	13,252
Committed:						
Other purposes.	-	-	-	-	3,835	3,835
Assigned:						
Student instruction	81,410	-	-	-	-	81,410
Student and staff support.	101,726	-	-	-	-	101,726
Facilities acquisition and construction	14,860	-	-	-	-	14,860
Other purposes.	1,869	-	-	-	-	1,869
Unassigned (deficit).	2,226,727	-	-	-	(165,589)	2,061,138
Total fund cash balances	<u>\$ 2,426,592</u>	<u>\$ 872,371</u>	<u>\$ 3,257,246</u>	<u>\$ 9,170,764</u>	<u>\$ 89,743</u>	<u>\$ 15,816,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Bond Retirement	Building	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:						
From local sources:						
Property taxes	\$ 1,597,754	\$ 1,015,211	\$ -	\$ -	\$ 84,166	\$ 2,697,131
Income taxes	839,806	-	-	-	-	839,806
Tuition	529,507	-	-	-	-	529,507
Earnings on investments	2,494	-	17,475	35,012	-	54,981
Charges for services	-	-	-	-	109,757	109,757
Extracurricular	14,986	-	-	-	177,317	192,303
Classroom materials and fees	28,848	-	-	-	-	28,848
Contributions and donations	18,346	-	-	-	1,645	19,991
Other local receipts	51,121	-	-	-	6,162	57,283
Intergovernmental - intermediate	-	-	-	-	3,977	3,977
Intergovernmental - state	3,288,403	112,087	-	3,169,707	15,218	6,585,415
Intergovernmental - federal	22,241	-	-	-	345,346	367,587
Total cash receipts	6,393,506	1,127,298	17,475	3,204,719	743,588	11,486,586
Cash disbursements:						
Current:						
Instruction:						
Regular	2,782,682	-	-	-	40,258	2,822,940
Special	479,876	-	-	-	100,480	580,356
Vocational	425	-	-	-	-	425
Adult/continuing	1,268	-	-	-	-	1,268
Support services:						
Pupil	158,831	-	-	-	77,553	236,384
Instructional staff	8,703	-	-	-	-	8,703
Board of education	14,718	-	-	-	4,300	19,018
Administration	383,706	-	-	-	-	383,706
Fiscal	266,280	21,239	-	-	1,801	289,320
Operations and maintenance	455,753	-	-	-	24,344	480,097
Pupil transportation	227,358	-	-	-	-	227,358
Operation of non-instructional services:						
Food service operations	-	-	-	-	249,178	249,178
Extracurricular activities	109,283	-	-	-	178,818	288,101
Facilities acquisition and construction	97,520	-	122,636	761,509	5,764	987,429
Debt service:						
Principal retirement	20,851	520,000	-	-	-	540,851
Interest and fiscal charges	4,028	445,228	-	-	-	449,256
Total cash disbursements	5,011,282	986,467	122,636	761,509	682,496	7,564,390
Excess (deficiency) of cash receipts over (under) cash disbursements	1,382,224	140,831	(105,161)	2,443,210	61,092	3,922,196
Other financing sources (uses):						
Transfers in	-	-	-	-	40,000	40,000
Transfers (out)	(40,000)	-	-	-	-	(40,000)
Total other financing sources (uses)	(40,000)	-	-	-	40,000	-
Net change in fund cash balances	1,342,224	140,831	(105,161)	2,443,210	101,092	3,922,196
Fund cash balances (deficit) at						
at beginning of year	1,084,368	731,540	3,362,407	6,727,554	(11,349)	11,894,520
Fund cash balances at end of year	\$ 2,426,592	\$ 872,371	\$ 3,257,246	\$ 9,170,764	\$ 89,743	\$ 15,816,716

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,553,036	\$ 1,553,036	\$ 1,597,754	\$ 44,718
Income taxes.	816,302	816,302	839,806	23,504
Tuition.	514,687	514,687	529,507	14,820
Earnings on investments	2,424	2,424	2,494	70
Classroom materials and fees	28,041	28,041	28,848	807
Contributions and donations	17,833	17,833	18,346	513
Other local receipts	49,690	49,690	51,121	1,431
Intergovernmental - state	3,196,368	3,196,368	3,288,403	92,035
Intergovernmental - federal	21,619	21,619	22,241	622
Total budgetary basis receipts.	<u>6,200,000</u>	<u>6,200,000</u>	<u>6,378,520</u>	<u>178,520</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	6,214,215	6,214,215	2,886,974	3,327,241
Special.	-	-	481,873	(481,873)
Vocational.	-	-	425	(425)
Adult/continuing	-	-	1,268	(1,268)
Support services:				
Pupil.	81	81	159,900	(159,819)
Instructional staff	169	169	9,394	(9,225)
Board of education	1,456	1,456	17,222	(15,766)
Administration.	2,176	2,176	391,821	(389,645)
Fiscal	2,144	2,144	269,247	(267,103)
Operations and maintenance.	59,958	59,958	529,916	(469,958)
Pupil transportation	9,140	9,140	237,261	(228,121)
Extracurricular activities.	-	-	94,253	(94,253)
Facilities acquisition and construction	-	-	112,380	(112,380)
Total budgetary basis disbursements.	<u>6,289,339</u>	<u>6,289,339</u>	<u>5,191,934</u>	<u>1,097,405</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	<u>(89,339)</u>	<u>(89,339)</u>	<u>1,186,586</u>	<u>1,275,925</u>
Other financing uses:				
Transfers (out).	-	-	(40,000)	(40,000)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>(40,000)</u>
Net change in fund cash balance	(89,339)	(89,339)	1,146,586	1,235,925
Fund cash balance at beginning of year	990,802	990,802	990,802	-
Prior year encumbrances appropriated	89,339	89,339	89,339	-
Fund cash balance at end of year	<u>\$ 990,802</u>	<u>\$ 990,802</u>	<u>\$ 2,226,727</u>	<u>\$ 1,235,925</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 73,646
Total assets.	<u>\$ 73,646</u>
Net cash position:	
Held for student activities.	\$ 73,646
Total net cash position	<u>\$ 73,646</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Jackson Center Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The District operates under a locally elected Board form of government and provides educational services as authorized by State and/or federal agencies. This Board controls the District's two instructional/support facilities staffed by 25 non-certified employees, 42 certified full-time teaching personnel, and 3 administrative employees who provide services to 487 students and other community members.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)

WOCO is a council of governments composed of 29 member school districts. It was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports WOCO based upon a per-pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months financial contributions. WOCO is governed by a Board of Directors consisting of Superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in the net resources of an organization upon dissolution is not equivalent to an equity interest. The District paid \$39,397 to WOCO during fiscal year 2016. Financial information is available from Donn Walls, who serves as Administrator, at 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Council (SOEPC)

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

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

Southwestern Ohio Instructional Technology Association (SOITA)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Shelby County Local Professional Development Committee (Committee)

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

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

INSURANCE PURCHASING POOLS

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

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

Each school district pays monthly premiums to the providers Anthem and Community National Assurance Company. The Consortium is governed by an Administrative Committee, consisting of the Superintendent from each participating school district.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

B. Basis of Accounting

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

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

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

FIDUCIARY FUNDS

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

D. Basis of Presentation

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

Government-wide Financial Statements - The statement of net position – cash basis and the statement of activities – cash basis display information about the District as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts, or receipts and other non-exchange transactions.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level.

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

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

F. Cash and Investments

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

During fiscal year 2016, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market funds and negotiable certificates of deposit. In accordance with the cash basis of accounting, with the exception of STAR Ohio, all District investments are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their fund 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 at which the investment could be sold at June 30, 2016.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest receipts credited to the general fund during fiscal year 2016 amounted to \$2,494, which includes \$847 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

G. Capital Assets

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

H. Unpaid Vacation Leave and Sick Leave

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

I. Long-Term Obligations

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

J. Fund Cash Balance

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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

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

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

K. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2016. Net cash position restricted for other purposes includes amounts restricted for food service operations. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

L. Inventory and Prepaid Items

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

M. Pensions

For purposes of measuring the net pension liability, 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.

N. Interfund Balances

On the fund financial statements, the District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying fund financial statements under the cash basis of accounting. Advances are eliminated in the statement of activities. The District had no interfund advance activity to report during fiscal year 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

O. Interfund Activity

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

- i.* Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.
- ii.* The District did not timely certify certain expenditures, contrary to Ohio Revised Code Section 5705.41(D).
- iii.* The District did not properly amend or supplement appropriations throughout the year, contrary to Ohio Revised Code Section 5705.41(B) and 5705.40.

C. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Race to the top	\$ 1
IDEA Part-B	98,511
Title I - disadvantaged children	65,341
Miscellaneous federal grants	1,736

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 delayed cash requests of the grantor.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash on Hand

At June 30, 2016, the District had \$150 in undeposited cash on hand, which is included on the basic financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$4,295,682. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$4,267,275 of the District’s bank balance of \$4,518,758 was exposed to custodial credit risk as discussed below, while \$251,483 was covered by the FDIC.

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

At June 30, 2016, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Negotiable CD's	\$ 7,457,000	\$ 2,240,000	\$ 2,238,000	\$ 2,731,000	\$ 248,000
U.S. Government money market funds	1,199,851	1,199,851	-	-	-
STAR Ohio	2,937,679	2,937,679	-	-	-
Total	\$ 11,594,530	\$ 6,377,530	\$ 2,238,000	\$ 2,731,000	\$ 248,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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, 2016:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 7,457,000	64.31
U.S. Government money market funds	1,199,851	10.35
STAR Ohio	2,937,679	25.34
Total	<u>\$ 11,594,530</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2016:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 4,295,682
Investments	11,594,530
Cash on hand	150
Total	<u>\$ 15,890,362</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 15,816,716
Agency fund	73,646
Total	<u>\$ 15,890,362</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ 1,146,586
Funds budgeted elsewhere	(44)
Adjustment for encumbrances	195,682
Cash basis	<u>\$ 1,342,224</u>

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

NOTE 6 - INTERFUND TRANSACTIONS

Interfund transfers during fiscal year 2016 consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Nonmajor governmental fund	\$ 40,000

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property located in the District. Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Shelby, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 76,462,720	96.65	\$ 76,821,650	96.53
Public utility personal	<u>2,650,570</u>	<u>3.35</u>	<u>2,758,530</u>	<u>3.47</u>
Total	<u>\$ 79,113,290</u>	<u>100.00</u>	<u>\$ 79,580,180</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 54.00		\$ 54.00	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. The tax became effective on January 1, 2010 and is a continuing tax. An additional tax of 0.50 percent was passed by the voters for a period of five years beginning January 1, 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts in the amount of \$839,806 were credited to the general fund in fiscal year 2016.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2016, the following changes occurred in the District's long-term obligations:

	Balance Outstanding <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2016</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Series 2011 refunding bonds:					
Current interest bonds	\$ 3,060,000	\$ -	\$ (210,000)	\$ 2,850,000	\$ 215,000
Capital appreciation bonds	95,000	-	-	95,000	-
Accreted interest	140,318	57,343	-	197,661	-
Series 2015 school improvement bonds:					
Serial and term bonds	10,085,000	-	(310,000)	9,775,000	245,000
Capital lease obligations	90,024	-	(20,851)	69,173	21,917
Total long-term obligations	<u>\$ 13,470,342</u>	<u>\$ 57,343</u>	<u>\$ (540,851)</u>	<u>\$ 12,986,834</u>	<u>\$ 481,917</u>

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

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

This refunding issue is comprised of both current interest bonds and capital appreciation bonds in the amounts of \$3,245,000 and \$95,000, respectively. The interest rate on the current interest bonds ranges from 2.00% to 4.60%. The current interest bonds mature on December 1, 2028 and are repaid from the bond retirement fund. The capital appreciation bonds mature on December 1, 2017 (interest rate yield of 3.20%) and December 1, 2018 (interest rate yield of 3.50%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for both capital appreciation bonds is \$225,000 each, with \$355,000 representing interest that accretes over the term of the bonds. The accreted value of the capital appreciation bonds at June 30, 2016 is \$197,661.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	General Obligation Current Interest, Serial, and Term Bonds			General Obligation Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 460,000	\$ 435,383	\$ 895,383	\$ -	\$ -	\$ -
2018	245,000	429,365	674,365	52,664	172,336	225,000
2019	250,000	425,653	675,653	42,336	182,664	225,000
2020	475,000	418,015	893,015	-	-	-
2021	490,000	404,183	894,183	-	-	-
2022 - 2026	2,700,000	1,757,489	4,457,489	-	-	-
2027 - 2031	2,555,000	1,240,273	3,795,273	-	-	-
2032 - 2036	1,975,000	838,811	2,813,811	-	-	-
2037 - 2041	2,395,000	419,112	2,814,112	-	-	-
2042 - 2043	1,080,000	39,513	1,119,513	-	-	-
Total	<u>\$ 12,625,000</u>	<u>\$ 6,407,797</u>	<u>\$ 19,032,797</u>	<u>\$ 95,000</u>	<u>\$ 355,000</u>	<u>\$ 450,000</u>

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The Code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of \$(4,685,413) (including available funds of \$872,371) and an unvoted debt margin of \$79,580. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 10 - CAPITAL LEASES

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

Principal and interest payments in fiscal year 2016 totaled \$20,851 and \$4,028, respectively, and were paid by the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10 - CAPITAL LEASES - (Continued)

The following is a schedule of the future minimum lease payments required under the District's capital leases and the present value of the future minimum lease payments as of June 30, 2016:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 24,878
2018	24,878
2019	24,878
Total minimum lease payments	74,634
Less: amount representing interest	(5,461)
Total	<u>\$ 69,173</u>

NOTE 11 - OPERATING LEASE - LESSOR DISCLOSURE

The District is the lessor of a home on a parcel of land located in Jackson Center, Ohio. The lease agreement is from May 1, 2016 through May 1, 2017. The District receives monthly installments of \$625 from the tenant.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted with Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program (Note 2.A) for general liability, property, and fleet insurance. Insurance coverage provided includes the following:

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property	Great American Insurance Company	\$1,000,000	\$5,000
General Liability	Great American Insurance Company	1,000,000/3,000,000	-
Liability, Fleet, and Property	Great American Insurance Company		
Each Occurrence		1,000,000	1,000
Aggregate		3,000,000	-
Excess Property	Travelers Indemnity Company	350,000,000	-
School Board Legal Liability	RSUI Indemnity Company	1,000,000	10,000/15,000
Excess Liability	Great American Insurance Company	3,000,000	-
	Lexington Insurance Company	2,000,000	
Pollution Liability	Ironshore Specialty Insurance Company		
Each Occurrence		1,000,000	-
Aggregate		1,000,000	-
Pollution Deductible		-	25,000
Mold Deductible		-	25,000
Cyber Liability/Identity Theft	Indian Harbor Insurance Company	1,000,000	1,000
Boiler & Machinery	Travelers Property Casualty Co. of America	250,000,000	3,500

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 12 - RISK MANAGEMENT - (Continued)

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

B. Workers' Compensation

The District participates in the Ohio Association of School Business Officials (OASBO)/Sheakley Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

C. Medical, Dental, and Life Insurance Benefits

For fiscal year 2016, the District participated in the Shelby County Schools Consortium (the "Consortium"), an insurance purchasing pool (Note 2.A). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the Consortium.

NOTE 13 - PENSION PLANS

Net Pension Liability

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - 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.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 13 - 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$94,283 for fiscal year 2016.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year 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 increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - 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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio 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, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$295,245 for fiscal year 2016.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 1,162,252	\$ 5,251,826	\$ 6,414,078
Proportion of the net pension liability	0.02036860%	0.01900283%	

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 CENTER LOCAL SCHOOL DISTRICT
SHELBY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - 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, 2015, 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - PENSION PLANS - (Continued)

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

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

Sensitivity of the 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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 1,611,626	\$ 1,162,252	\$ 783,842

Actuarial Assumptions - STRS Ohio

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

Inflation	2.75 percent
Projected salary increases	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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - PENSION PLANS - (Continued)

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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>1.00</u>	3.00
Total	<u><u>100.00 %</u></u>	

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

Sensitivity of the 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13 - PENSION PLANS - (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,295,183	\$ 5,251,826	\$ 3,523,864

NOTE 14 - 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 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$10,189, \$15,223, and \$9,474, respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$20,730, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 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, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 16 - SET-ASIDES

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

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

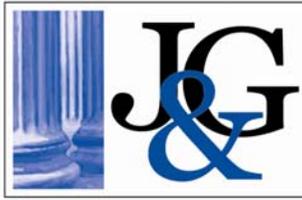
	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	89,172
Current year qualifying disbursements	(172,565)
Current year offsets	<u>(61,911)</u>
Total	<u>\$ (145,304)</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal years 2002 and 2015, the District issued \$14,865,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount for future years. The amount presented for prior year offset from debt proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of debt proceeds that may be used as an offset in future periods, which was \$14,410,449 at June 30, 2016.

NOTE 17 - COMMITMENTS

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

	<u>Year End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 89,887
Classroom facilities fund	1,031,886
Nonmajor governmental funds	<u>5,817</u>
Total	<u>\$ 1,127,590</u>



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jackson Center Local School District, Shelby County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Jackson Center Local School District's basic financial statements and have issued our report thereon dated October 28, 2016, wherein we noted the Jackson Center Local School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-002 through 2016-004 to be material weaknesses.

Board of Education
Jackson Center Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Jackson Center Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-001 through 2016-004.

Jackson Center Local School District's Response to Findings

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

Purpose of this Report

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



Julian & Grube, Inc.
October 28, 2016

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Noncompliance

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

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

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

Client Response: The decision to prepare cash basis financial statements is a decision the Board of Education believes to be in the best interests of the District. The Board evaluated the cost-benefit relationship of preparing GAAP statements for the fiscal year ended June 30, 2016 and made the decision that the significant dollars saved, outweighed the benefit received.

Finding Number	2016-002
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Noncompliance and Material Weakness

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

At June 30, 2016, the expenditures exceeded appropriations in the following funds:

<u>Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Major Governmental Funds</u>			
Classroom Facilities Fund	\$ 6,031,886	\$ 13,179,087	\$ (7,147,201)
<u>Non-Major Governmental Funds</u>			
IDEA Part B Grant	\$ 96,066	\$ 98,510	\$ (2,444)

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-002 - (Continued)

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

We recommend that the District comply with the Ohio Revised Code monitoring expenditures so they do not exceed lawful appropriations and amending the budget prior to year-end. This may be achieved by monitoring the budget more closely on a continued basis and amending appropriations as necessary.

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

Finding Number	2016-003
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Noncompliance and Material Weakness

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

It was noted during the audit the District did not properly modify its appropriations throughout the year ended June 30, 2016.

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

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

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

Finding Number	2016-004
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Noncompliance and Material Weakness

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

The District had 26% of examined disbursements that were not certified in a timely manner.

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

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

**SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016**

FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-004 - (Continued)

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

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

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2015-001	<u>Noncompliance</u> - Ohio Admin. Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America.	No	Repeated as finding 2016-001
2015-002	<u>Noncompliance and Material Weakness</u> - Ohio Administrative Code Section 117-2-02(C)(1) requires the District to integrate the budgetary accounts at the legal level of control or lower into the financial accounting system.	Yes	N/A
2015-003	<u>Noncompliance and Material Weakness</u> - Ohio Revised Code Section 5704.41(B) requires appropriations before expending monies.	No	Repeated as finding 2016-002
2015-004	<u>Noncompliance and Material Weakness</u> - Ohio Revised Code Section 5705.40 requires amending and supplementing appropriations be made by Board resolution and comply with the same rule of law used in making the original.	No	Repeated as finding 2016-003
2015-005	<u>Noncompliance and Material Weakness</u> - Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Repeated as finding 2016-004

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Dave Yost • Auditor of State

JACKSON CENTER LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 21, 2017