

Jackson City School District
Jackson County, Ohio

Basic Financial Statements – Cash Basis
June 30, 2017
with Independent Auditors' Report



Dave Yost • Auditor of State

Board of Education
Jackson City School District
450 Vaughn Street
Jackson, OH 45640

We have reviewed the *Independent Auditor's Report* of the Jackson City School District, Jackson County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2016 through June 30, 2017. 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 Lima City 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 13, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Education
Jackson City School District
450 Vaughn Street
Jackson, Ohio 45640

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, the respective changes in cash financial position thereof, and the budgetary comparison for the General and Jones Trust Funds for the year then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

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. We draw attention to Note 1 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 accounting principles generally accepted in the United States of America. We did not modify our opinion regarding this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The management's discussion and analysis (pages 3-9) and the schedule of expenditures of federal awards (page 47) as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2017

Jackson City School District
Jackson County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(Unaudited)

The discussion and analysis of the Jackson City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017, within the limitations of cash basis accounting. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and related note disclosures to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Total net cash position governmental activities decreased by \$665,517.
- General receipts accounted for \$21,412,086 in receipts or 74.9 percent of all receipts. Program specific cash receipts in the form of charges for services and sales, grants, contributions, and interest accounted for \$7,180,286 or 25.1 percent of total receipts of \$28,592,372.
- The School District had \$29,257,889 in disbursements related to governmental activities; only \$7,180,286 of these disbursements were offset by program specific charges for services and sales, grants, contributions, and interest. General receipts (primarily taxes and intergovernmental) of \$21,412,086 were not adequate to cover the remaining disbursements.
- The School District's major funds were the General Fund and Jones Trust Special Revenue Fund. The General Fund experienced a decrease, and the Jones Trust Fund experienced an increase in fund balances

Using the Basic Financial Statements

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

This discussion and analysis is intended to serve as an introduction to Jackson City School District's Cash Financial Statements. The School District's financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Reporting the School District as a Whole

The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position – Cash Basis* presents information on all of School District's cash assets, presented as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the cash position of School District is improving or deteriorating.

The *Statement of Activities – Cash Basis* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs.

Both of the government-wide financial statements identify functions of School District that are principally supported by taxes and intergovernmental receipts (governmental activities). The governmental activities of the School District include general operations, food service, preschool, vocational, and student related activities.

In the statement of net position and the statement of activities, the School district is divided into two types of activities:

Governmental Activities – Most of the School District's basic services are reported here, including athletics and music. State and federal grants, state foundation receipts, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid by the people receiving them.

Component Units – The School District's financial statements include financial data of the Center for Student Achievement. This component unit is described in the notes to the financial statements.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objects. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance educational programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in a total in a single column. The School District's major funds are the General Fund and the Jones Trust Special Revenue Fund. The programs reported in the governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The School District has private purpose trust funds and an agency fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the government-wide and fund financial statements.

The School District as a Whole

As noted earlier, net position – cash basis may serve over time as a useful indicator of a government's financial position. The School District has chosen to report on an *Other Comprehensive Basis of Accounting* in a format similar to that required by Governmental Accounting Standard No. 34; including the comparative analysis of government-wide data in this Management Discussion and Analysis (MD&A) section.

Table 1 provides a summary of the School District's net position – cash basis for 2017 compared to 2016:

**TABLE 1
 NET CASH POSITION
 GOVERNMENTAL ACTIVITIES**

	2017	2016	Change
Cash Assets:			
Total Pooled Cash and Cash Equivalents	\$ 21,403,849	\$ 22,069,366	\$ (665,517)
Net Cash Position:			
Restricted	9,616,643	9,772,917	(156,274)
Unrestricted	11,787,206	12,296,449	(509,243)
Total Net Cash Position	\$ 21,403,849	\$ 22,069,366	\$ (665,517)

As noted previously, net position of governmental activities decreased \$665,517, which represents a 3 percent decrease from 2016. The predominant factor for the decrease in net position is an increase in projects and upgrades to classroom facilities and an increase in regular instruction.

Table 2 shows the changes in net position – cash basis for fiscal year 2017 as compared to fiscal year 2016.

**TABLE 2
 CHANGES IN NET CASH POSITION
 GOVERNMENTAL ACTIVITIES**

	2017	2016	Change
Receipts			
Program Receipts:			
Charges for Services	\$ 2,761,533	\$ 2,398,799	\$ 362,734
Operating Grants and Contributions	4,411,221	4,200,126	211,095
Capital Grants and Contributions	7,532	-	7,532
General Receipts:			
Property Taxes	6,921,806	6,915,301	6,505
Grants and Entitlements	14,000,358	13,978,954	21,404
Investment Earnings	127,042	130,554	(3,512)
Other	362,880	63,214	299,666
Debt Proceeds	-	2,475,000	(2,475,000)
Total Receipts	28,592,372	30,161,948	(1,569,576)

(continued)

TABLE 2
CHANGES IN NET CASH POSITION
GOVERNMENTAL ACTIVITIES
 (Continued)

	2017	2016	Change
Program Expenditures			
Instruction	16,688,880	15,474,451	1,214,429
Support Services:			
Pupil and Instructional Staff	1,585,378	1,329,216	256,162
Board of Education, Administration, Fiscal and Business	2,555,762	2,388,620	167,142
Plant Operation and Maintenance	2,950,867	2,809,513	141,354
Pupil Transportation	1,644,768	1,852,498	(207,730)
Central	65,670	63,470	2,200
Operation of Non-Instructional Services	1,305,257	1,261,937	43,320
Extracurricular Activities	1,096,700	825,366	271,334
Capital Outlay	238,796	1,500	237,296
Debt Service	1,125,811	3,644,019	(2,518,208)
Total Expenditures	<u>29,257,889</u>	<u>29,650,590</u>	<u>(392,701)</u>
Change in Net Cash Position	(665,517)	511,358	(1,176,875)
Net Cash Position, Beginning of Year	<u>22,069,366</u>	<u>21,558,008</u>	<u>511,358</u>
Net Cash Position, End of Year	<u>\$ 21,403,849</u>	<u>\$ 22,069,366</u>	<u>\$ (665,517)</u>

Governmental Activities

Program receipts, which are charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational requirements of a particular program, and interest earned on grants that is required to be used to support a particular program, accounted for 25.1 percent of total receipts for governmental activities in fiscal year 2017. Therefore, the programs offered by the School District are primarily financed through general receipts. General receipts are primarily composed of property taxes and grants and entitlements not restricted for a particular program.

The DeRolph III decision has not eliminated the School District's dependence on property taxes. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As the result of legislation enacted in 1976, the overall receipts generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increases in value is comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00. This legislation helps explain the sizable increase in the School District's taxable value accompanied by the relatively small increase, or even decreases in tax receipts. Property taxes made up 24.2 percent of receipts for governmental activities for Jackson City School District in 2017.

The primary sources of receipts for governmental activities are from property taxes and unrestricted grants and entitlements. These two receipt sources represent 73.2 percent of total receipts. Grants and entitlements, alone, represent 49 percent of total receipts. Investment earnings, proceeds from sale of capital assets, and miscellaneous receipts account for the remaining 1.7 percent of total receipts.

Jackson City School District
 Jackson County, Ohio
 Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2017
 (Unaudited)

Net position of the School District experienced a decrease in fiscal year 2017 and the continuing economic pressures placed upon the School District due to ever changing academic requirements will remain and should not be underestimated. Instructional services of \$16,688,880, and support services of \$8,802,445, accounted for 87.1 percent of total program disbursements. The remaining 12.9 percent of program disbursements are for other obligations of the School District such as non-instructional services, food service operations, extracurricular activities, and debt service.

The Statement of Activities – Cash Basis shows the cost of program services and the charges for services and sales, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services. In other words, it identifies the cost of those services supported by tax receipts and unrestricted entitlements.

**TABLE 3
 TOTAL AND COST OF PROGRAM SERVICES
 GOVERNMENTAL ACTIVITIES**

	2017		2016	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,688,880	\$ 11,261,456	\$ 15,474,451	\$ 10,716,521
Support Services:				
Pupil and Instructional Staff	1,585,378	1,475,468	1,329,216	1,250,518
Board of Education, Administration, Fiscal and Business	2,555,762	2,536,043	2,388,620	2,340,691
Plant Operation and Maintenance	2,950,867	2,912,811	2,809,513	2,703,240
Pupil Transportation	1,644,768	1,639,486	1,852,498	1,848,268
Central	65,670	62,700	63,470	60,900
Operation of Non-Instructional Services	1,305,257	102,475	1,261,937	78,171
Extracurricular Activities	1,096,700	722,557	825,366	407,837
Capital Outlay	238,796	238,796	1,500	1,500
Refund of Prior Year Receipts	-	-	-	-
Debt Service	1,125,811	1,125,811	3,644,019	3,644,019
Total Expenditures	<u>\$ 29,257,889</u>	<u>\$ 22,077,603</u>	<u>\$ 29,650,590</u>	<u>\$ 23,051,665</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. For fiscal year 2017, 67.4 percent of all instructional activities are supported through taxes and other general receipts.

The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$28,573,922 and disbursements of \$29,257,889. The General Fund had a decrease in fund balance of \$732,914. The fund balance of the Jones Trust Fund increased \$111,612.

General Fund Budgeting Highlights

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

During the course of fiscal 2017, the School District amended its General Fund budget, but not significantly. The School District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management.

Final estimated receipts of \$22,597,393 were above original estimated receipts of \$22,108,775. Budget basis receipts varied slightly from the final estimates. Final appropriations of \$23,377,785 were above original appropriations of \$22,819,162. Budget basis expenditures varied slightly from the final estimates. The School District's ending unobligated General Fund balance was \$9,596,609.

Debt Administration

At June 30, 2017, the School District had the following debt outstanding:

TABLE 4
Outstanding Debt, at Fiscal Year End
GOVERNMENTAL ACTIVITIES

	2017	2016
2005 Classroom Facilities Refunding Bonds:		
Capital Appreciation	\$ 265,000	\$ 415,000
Accretion on Capital Appreciation Bonds	907,760	1,318,362
2013 Classroom Facilities Refunding Bonds:		
Serial	5,820,000	5,950,000
Capital Appreciation	249,992	249,992
Accretion on Capital Appreciation Bonds	422,254	276,541
2015 Classroom Facilities Refunding Bonds:		
Serial	2,455,000	2,465,000
2013 Energy Conservation Refunding Bonds:	468,000	514,000
	\$ 10,588,006	\$ 11,188,895

Current Issues

The financial future of the School District is not without its challenges. These challenges are external and internal in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Management must diligently plan expenditures from the modest growth attained, staying carefully within its five-year forecast. Additional receipts from what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the School District is largely dependent on State funding sources (49 percent of the School District's operating funds come from State foundation payments and other entitlements). State foundation revenue is fundamentally a function of student enrollment, a district's property tax wealth, median income, federal adjusted gross income, and state economic disadvantage percentage. The School District has seen a slight decrease in student enrollment in recent years and while State funding growth has shifted toward school districts with low property tax wealth, recent property tax revaluations has reduced the School District's funding from the State Foundation charge off supplement and has served to somewhat offset the other increases in State funding.

Although higher per-pupil funding has helped the School District lessen the impact of increased instructional expenses, much of the positive impact has been offset by other negative financial factors that occurred in the past year (higher insurance costs, increased personal service costs, and higher fuel costs).

As the preceding information shows, the School District depends upon its taxpayers. Although the Jackson City School District has continued to keep spending in line with receipts, and carefully watched financial planning, this must continue if the School District hopes to remain on firm financial footing.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rachel Strawser, Treasurer at Jackson City School District, 450 Vaughn Street, Jackson, Ohio 45640.

Jackson City School District
Jackson County, Ohio
Statement of Net Position - Cash Basis
June 30, 2017

	Primary Government	Component Unit
	Governmental Activities	Center for Student Achievement
Cash Assets		
Equity in pooled cash and cash equivalents	\$ 19,782,242	\$ 146,925
Cash and cash equivalents with fiscal agent	1,621,607	-
Total Cash Assets	\$ 21,403,849	\$ 146,925
Net Cash Position:		
Restricted for:		
Local grant expenditures	\$ 1,666,170	\$ -
State grant expenditures	435,387	-
Federal grant expenditures	534,690	-
Foodservice operations	165,833	-
Music and athletics programs	28,820	-
Student enrichment programs	229,980	-
Elementary student development programs	2,890,492	-
Debt Service	1,799,153	-
Capital improvements	1,622,850	-
Athletic facility equipment	27,231	-
Endowments:		
Expendable	50,561	-
Nonexpendable	165,476	-
Unrestricted	11,787,206	146,925
Total Net Cash Position	\$ 21,403,849	\$ 146,925

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Activities - Cash Basis
 For the Fiscal Year Ended June 30, 2017

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Cash Position		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component	
					Governmental	Unit	
						Governmental Activities	Center for Student Achievement
Governmental Activities							
Current:							
Instruction:							
Regular	\$ 11,117,556	\$ 1,950,007	\$ 470,173	\$ -		\$ (8,697,376)	
Special	5,571,324	26,005	2,981,239	-		(2,564,080)	
Support Services:							
Pupils	1,123,087	-	109,910	-		(1,013,177)	
Instructional staff	462,291	-	-	-		(462,291)	
Board of education	32,786	-	-	-		(32,786)	
Administration	1,855,315	-	72	-		(1,855,243)	
Fiscal	602,552	-	8,199	-		(594,353)	
Business	65,109	3,695	7,753	-		(53,661)	
Operation and maintenance of plant	2,950,867	30,983	7,073	-		(2,912,811)	
Pupil transportation	1,644,768	-	5,282	-		(1,639,486)	
Central	65,670	-	2,970	-		(62,700)	
Operation of non-instructional services	1,305,257	396,185	799,065	7,532		(102,475)	
Extracurricular activities	1,096,700	354,658	19,485	-		(722,557)	
Capital outlay	238,796	-	-	-		(238,796)	
Debt Service:							
Principal	336,000	-	-	-		(336,000)	
Interest	259,811	-	-	-		(259,811)	
Accreted Interest	530,000	-	-	-		(530,000)	
Total Primary Government	<u>\$ 29,257,889</u>	<u>\$ 2,761,533</u>	<u>\$ 4,411,221</u>	<u>\$ 7,532</u>		<u>(22,077,603)</u>	
Component Unit							
Center for Student Achievement	<u>\$ 311,333</u>	<u>\$ -</u>	<u>\$ 274,940</u>	<u>\$ -</u>			<u>(36,393)</u>
General Cash Receipts:							
Property Taxes Levied for:							
General purposes					5,271,432	-	
Debt service					1,054,967	-	
Capital projects					595,407	-	
Grants and entitlements not restricted to specific programs					14,000,358	-	
Investment earnings					127,042	-	
Proceeds from sale of capital assets					18,450	-	
Miscellaneous					344,430	-	
Total General Receipts					<u>21,412,086</u>	<u>-</u>	
Change in Net Cash Position					(665,517)	(36,393)	
Net Cash Position Beginning of Year					<u>22,069,366</u>	<u>183,318</u>	
Net Cash Position End of Year					<u>\$ 21,403,849</u>	<u>\$ 146,925</u>	

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Assets and Fund Balances - Cash Basis
 Governmental Funds
 June 30, 2017

	<u>General</u>	<u>Jones Trust</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:				
Equity in pooled cash and cash equivalents	\$ 11,152,158	\$ 2,890,492	\$ 5,739,592	\$ 19,782,242
Cash and cash equivalents with fiscal agent	<u>-</u>	<u>-</u>	<u>1,621,607</u>	<u>1,621,607</u>
Total Assets	<u>\$ 11,152,158</u>	<u>\$ 2,890,492</u>	<u>\$ 7,361,199</u>	<u>\$ 21,403,849</u>
Fund Balances:				
Nonspendable:				
Endowments	\$ -	\$ -	\$ 165,476	\$ 165,476
Restricted for:				
Local grant expenditures	-	-	1,666,170	1,666,170
State grant expenditures	-	-	435,387	435,387
Federal grant expenditures	-	-	534,690	534,690
Food service operations	-	-	165,833	165,833
Music and athletic programs	-	-	79,381	79,381
Student enrichment expenditures	-	-	229,980	229,980
Elementary student development programs	-	2,890,492	-	2,890,492
Debt service	-	-	1,799,153	1,799,153
Capital improvements	-	-	1,622,850	1,622,850
Athletic facility equipment	-	-	27,231	27,231
Committed for:				
Employee benefits	566,914	-	-	566,914
Future severance payments	395,000	-	-	395,000
Sale of Manpower site	-	-	344,214	344,214
Athletic facility equipment	-	-	290,834	290,834
Assigned for:				
School support activities	483,061	-	-	483,061
Purchases on order	518,188	-	-	518,188
Subsequent appropriations	586,348	-	-	586,348
Unassigned	<u>8,602,647</u>	<u>-</u>	<u>-</u>	<u>8,602,647</u>
Total Fund Balances	<u>\$ 11,152,158</u>	<u>\$ 2,890,492</u>	<u>\$ 7,361,199</u>	<u>\$ 21,403,849</u>

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2017

	General	Jones Trust	Other Governmental Funds	Total Governmental Funds
Cash Receipts:				
Taxes	\$ 5,271,432	\$ -	\$ 1,650,374	\$ 6,921,806
Intergovernmental	15,204,609	-	2,893,100	18,097,709
Investment earnings	108,148	21,200	35,826	165,174
Tuition and fees	1,995,001	-	-	1,995,001
Extracurricular activities	60,797	-	331,135	391,932
Charges for services	-	-	345,980	345,980
Gifts and contributions	4,165	206,455	72,650	283,270
Rent	27,575	-	1,045	28,620
Miscellaneous	16,885	-	327,545	344,430
Total Receipts	<u>22,688,612</u>	<u>227,655</u>	<u>5,657,655</u>	<u>28,573,922</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	10,662,376	116,043	339,137	11,117,556
Special	4,052,572	-	1,518,752	5,571,324
Support Services:				
Pupils	1,062,088	-	60,999	1,123,087
Instructional staff	461,797	-	494	462,291
Board of education	32,786	-	-	32,786
Administration	1,855,262	-	53	1,855,315
Fiscal	523,816	-	78,736	602,552
Business	52,255	-	12,854	65,109
Operation and maintenance of plant	2,402,731	-	548,136	2,950,867
Pupil transportation	1,472,925	-	171,843	1,644,768
Central	65,670	-	-	65,670
Operation of non-instructional services	53,117	-	1,252,140	1,305,257
Extracurricular activities	502,578	-	594,122	1,096,700
Capital Outlay	-	-	238,796	238,796
Debt Service:				
Principal	-	-	336,000	336,000
Interest	-	-	259,811	259,811
Accreted Interest	-	-	530,000	530,000
Total Disbursements	<u>23,199,973</u>	<u>116,043</u>	<u>5,941,873</u>	<u>29,257,889</u>
Excess of Receipts Over (Under) Disbursements	<u>(511,361)</u>	<u>111,612</u>	<u>(284,218)</u>	<u>(683,967)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	18,450	-	-	18,450
Advances in	408,542	-	398,545	807,087
Advances out	(398,545)	-	(408,542)	(807,087)
Transfers in	-	-	577,040	577,040
Transfers out	(250,000)	-	(327,040)	(577,040)
Total Other Financing Sources (Uses)	<u>(221,553)</u>	<u>-</u>	<u>240,003</u>	<u>18,450</u>
Net Change in Fund Balance	(732,914)	111,612	(44,215)	(665,517)
Fund Balance, Beginning of Year	<u>11,885,072</u>	<u>2,778,880</u>	<u>7,405,414</u>	<u>22,069,366</u>
Fund Balance, End of Year	<u>\$ 11,152,158</u>	<u>\$ 2,890,492</u>	<u>\$ 7,361,199</u>	<u>\$ 21,403,849</u>

See accompanying notes to the basic financial statements.

Jackson City School District
Jackson County, Ohio
Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balance (Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Taxes	\$ 5,246,489	\$ 5,271,432	\$ 5,271,432	\$ -
Intergovernmental	15,168,359	15,204,609	15,204,609	-
Investment earnings	111,220	96,017	102,396	6,379
Tuition and fees	1,513,892	1,931,246	1,931,246	-
Extracurricular activities	34,967	43,882	43,882	-
Rent	26,593	27,575	27,575	-
Miscellaneous	<u>7,255</u>	<u>22,632</u>	<u>15,385</u>	<u>(7,247)</u>
Total Receipts	<u>22,108,775</u>	<u>22,597,393</u>	<u>22,596,525</u>	<u>(868)</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	10,196,009	10,653,447	10,653,392	55
Special	3,570,463	4,051,267	4,051,267	-
Support Services:				
Pupils	1,025,644	1,062,088	1,062,088	-
Instructional staff	413,554	462,539	462,539	-
Board of education	27,888	32,886	32,886	-
Administration	1,771,224	1,855,359	1,855,359	-
Fiscal	642,889	523,885	523,885	-
Business	44,768	52,255	52,255	-
Operation and maintenance of plant	2,818,979	2,442,639	2,691,584	(248,945)
Pupil transportation	1,780,701	1,690,146	1,690,146	-
Central	54,715	55,356	55,356	-
Operation of non-instructional services	13,022	4,575	4,575	-
Extracurricular activities	<u>459,306</u>	<u>491,343</u>	<u>491,343</u>	<u>-</u>
Total Disbursements	<u>22,819,162</u>	<u>23,377,785</u>	<u>23,626,675</u>	<u>(248,890)</u>
Excess of Receipts Over(Under) Disbursements	<u>(710,387)</u>	<u>(780,392)</u>	<u>(1,030,150)</u>	<u>(249,758)</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	16,000	18,450	18,450	-
Refund of prior year disbursements	709	-	-	-
Transfers out	(29,500)	(275,000)	(275,000)	-
Advances in	141,317	408,542	408,542	-
Advances out	<u>(238,151)</u>	<u>(251,406)</u>	<u>(251,406)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(109,625)</u>	<u>(99,414)</u>	<u>(99,414)</u>	<u>-</u>
Net Change in Fund Balance	(820,012)	(879,806)	(1,129,564)	(249,758)
Fund Balance at Beginning of Year - Restated	10,033,371	10,033,371	10,033,371	-
Prior Year Encumbrances Appropriated	<u>692,802</u>	<u>692,802</u>	<u>692,802</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 9,906,161</u>	<u>\$ 9,846,367</u>	<u>\$ 9,596,609</u>	<u>\$ (249,758)</u>

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Cash Receipts, Cash Disbursements and
 Changes in Fund Cash Balance (Budgetary Basis)
 Jones Trust Fund
 For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Cash Receipts:				
Investment earnings	\$ 23,092	\$ 19,443	\$ 21,200	\$ 1,757
Gifts and contributions	222,985	206,455	206,455	-
Total Receipts	<u>246,077</u>	<u>225,898</u>	<u>227,655</u>	<u>1,757</u>
Cash Disbursements				
Current:				
Instruction:				
Regular	47,110	116,043	116,043	-
Support Services:				
Pupils	269	-	-	-
Administration	1,345	-	-	-
Fiscal	1,076	-	-	-
Business	269	-	-	-
Pupil transportation	269	-	-	-
Central	538	-	-	-
Operation of non-instructional services	269	-	-	-
Total Disbursements	<u>51,145</u>	<u>116,043</u>	<u>116,043</u>	<u>-</u>
Net Change in Fund Balance	194,932	109,855	111,612	1,757
Fund Balance at Beginning of Year	<u>2,778,880</u>	<u>2,778,880</u>	<u>2,778,880</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,973,812</u>	<u>\$ 2,888,735</u>	<u>\$ 2,890,492</u>	<u>\$ 1,757</u>

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Fiduciary Net Position - Cash Basis
 June 30, 2017

	Private Purpose Trust Fund	Agency Fund
Assets		
Equity in pooled cash and cash equivalents	\$ 1,683,135	\$ 96,748
Net Cash Position		
Endowments	\$ 824,702	\$ -
Held in trust for scholarships	858,433	-
Restricted for students	-	96,748
Total Net Cash Position	\$ 1,683,135	\$ 96,748

See accompanying notes to the basic financial statements.

Jackson City School District
 Jackson County, Ohio
 Statement of Changes in Fiduciary Net Position - Cash Basis
 Private Purpose Trust Fund
 For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Fund
Additions:	
Investment earnings	\$ 13,662
Gifts and contributions	9,315
Miscellaneous	6,475
Total Additions	29,452
Deductions:	
Student scholarships	18,271
Total Deductions	18,271
Change in Net Position	11,181
Net Cash Position, Beginning of Year	1,671,954
Net Cash Position, End of Year	\$ 1,683,135

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed later, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Jackson City School District's accounting policies.

Reporting Entity

Jackson City School District (the School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal agencies. This Board of Education controls the School District's six instructional/support facilities staffed by 100 classified employees and 184 certified teaching and administrative personnel who provide services to 2,316 students and other community members.

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Jackson City School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on, the primary government. The School District has one component unit, the Center for Student Achievement (The Center). During fiscal year 2017, Jackson City School District and the Center for Student Achievement approved a joint resolution of intent to close the Center permanently effective June 30, 2017.

The component unit column on the statement of net position – cash basis and the statement of activities – cash basis identifies the financial data of the School District's component unit, the Center for Student Achievement (the Center). It is reported separately to emphasize that it is legally separate from the School District.

The Center is a legally separate entity created under Ohio Revised Code Chapter 3314 and incorporated under Chapter 1702. The Center is governed by a five-member Board of Directors appointed by the Superintendent of the Jackson City School District. The School District is able to impose its will on the Center.

The School District participates in the Metropolitan Educational Technology Association, the Gallia-Jackson-Vinton Joint Vocational School District, and the Coalition and Rural and Appalachian Schools, which are defined as jointly governed organizations, and the Ohio School Boards Association Workers' Compensation Group Rating Plan, which is defined as an insurance purchasing pool. These organizations are presented in Notes 13 and 14.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, 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 School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities that are governmental (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business-type activities.

The statement of net position – cash basis presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities – cash basis compares disbursements with program receipts for each function or program of the School 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 and 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 general receipts of the School District.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School 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 School 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.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

Governmental Funds

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

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Jones Trust Fund – The Jones Trust Special Revenue Fund is used to account for the proceeds of a gift bestowed upon the School District from Robert F. Jones. The endowment is maintained by and on deposit at PNC Bank, which makes all investment decisions on behalf of the School District. The interest and contributions can be used by the School District for educational related activities of the School District's elementary schools.

The other governmental funds of the School District account for grants and other resources whose use is restricted or committed to a particular purpose.

Proprietary Fund Type

Proprietary fund reporting focuses on the determination the changes in net position and financial position. Proprietary funds are classified as enterprise or internal service; the School District has no proprietary funds.

Fiduciary Fund Type

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

Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for good and services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the 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 for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool except the monies of the Columbus Foundation Fund, which is reported as cash and cash equivalents with fiscal agent. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During Fiscal Year 2017, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest is credited to the General Fund; the Food Service, Special Trust, Jones Trust, Columbus Foundation, and Classroom Maintenance Special Revenue Funds; the Bond Retirement Debt Service Fund; the Permanent Improvement Capital Projects Fund; and the Lloyd Trust and Esnaugle Memorial Music Trust Permanent Funds. Interest revenue credited to the General Fund during fiscal year 2017 amounted to \$108,148, which includes \$57,919 assigned from other School District funds.

Inventory and Prepaid Items

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

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

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.

Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District's governing board or a School District official delegated that authority by resolution or State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balances.

The School District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and

then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 77, "Tax Abatement Disclosures". This GASB pronouncement requires disclosure of information about the nature and magnitude of tax abatements. These changes were incorporated in the School District's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance. The School District did not have any abatements.

NOTE 3 – COMPLIANCE

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

Ohio Revised Code, Section 5705.41(B), prohibits subdivisions or taxing authorities from spending money unless it has been appropriated as provided as such in such chapter. At June 30, 2017, expenditures exceeded appropriations in the General Fund in the amount of \$248,890.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) presented for the General and Jones Trust Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and cash basis are as follows:

1. Encumbrances are treated as expenditures (budget basis) rather than as an assignment of fund balance (cash basis).
2. Unrecorded items are reported on the balance sheet (cash basis), but not on the budgetary basis.
3. Budgetary receipts and disbursements of the severance fund, employee benefits fund, public school support fund and uniform school supplies fund are reclassified to the General Fund for reporting.

Jackson City School District
 Jackson County, Ohio
 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2017

<u>Net Change in Fund Balance</u>		
	General	Jones Trust
Cash Basis	\$ (732,914)	\$ 111,612
Unreported Items:		
Beginning of fiscal year	2	-
End of fiscal year	(5,413)	-
Negative cash advances to other funds	147,139	-
Encumbrances	(518,188)	-
Excess(deficit) of funds combined with General Fund for reporting purposes	(20,190)	-
Budget Basis	\$ (1,129,564)	\$ 111,612

In the prior year, the School District reported the ending fund balance of the severance and employee benefits funds within the general fund budgetary fund balance. As these funds are budgeted separately, the amounts should not have been included. As such, the beginning budgetary fund balance of the general fund was restated from the \$10,958,422 previously reported to \$10,033,371.

NOTE 5 - DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes 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 obligation or security 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and with certain limitation bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided 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 the term of the agreement must not exceed thirty days.

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 School 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$20,669,798 of the School District's bank balance of \$21,276,030 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2017, the School District had the following investments:

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Investment Type	Fair Value	Maturity	Rating	Percentage of Portfolio
Money Market Mutual Funds	\$ 60,190	1 Day	AAAm Standard & Poor	3.01%
Federal Home Loan Bank Corporation Discount Note	248,402	4/13/2020	Aaa Moodys	12.42%
Federal Home Loan Bank Corporation Discount Note	199,266	9/6/2018	Aaa Moodys	9.96%
Federal Home Loan Bank Corporation Discount Note	249,245	2/16/2021	Aaa Moodys	12.46%
Federal Home Loan Mortgage Discount Note	249,840	11/27/2019	Aaa Moodys	12.49%
Federal Home Loan Mortgage Discount Note	250,395	11/27/2020	Aaa Moodys	12.52%
Federal Home Loan Mortgage Discount Note	249,240	2/28/2019	Aaa Moodys	12.46%
Federal National Mortgage Association Discount Notes	243,445	8/24/2021	Aaa Moodys	12.17%
Federal National Mortgage Association Discount Notes	249,995	2/28/2022	Aaa Moodys	12.50%
STAR Ohio	147	Average 45.5 Days	AAAm Standard & Poor	0.01%
Total	<u>\$ 2,000,165</u>			<u>100.00%</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The above chart identifies the School District's recurring fair value measurements as of June 30, 2017. All District investments are measured at fair value and are valued using quoted market prices (Level 1 inputs).

Credit Risk – STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has an investment policy, but the policy does not limit investment choices further than State law.

Interest Rate Risk – The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by

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State statute at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real property taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Jackson County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 208,423,980	74.20%	\$ 209,936,310	73.11%
Commerical/Industrial and Public Utility Real	57,185,760	20.36%	61,146,990	21.29%
Public utility personal	15,271,080	5.44%	16,079,230	5.60%
Total	\$ 280,880,820	100.00%	\$ 287,162,530	100.00%
Tax Rate per \$1,000 of assessed value		\$ 30.07		\$ 29.82

NOTE 7 - COMMITMENTS

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At fiscal year end, the amount of governmental fund encumbrances expected to be honored upon performance by the vendor in the next fiscal year were as follows:

General Fund	\$ 518,188
Non-major Governmental Funds	257,208
Total	\$ 775,396

NOTE 8 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The School District's contractually required contribution to SERS was \$518,153 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. The statutory member contribution rate was increased one percent to 14 percent on July 1, 2016. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,593,863 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 8,085,464	\$ 33,833,010	\$ 41,918,474
Proportion of the Net Pension Liability:			
Current Year	0.11047111%	0.10107458%	
Prior Year	<u>0.1110510%</u>	<u>0.09839542%</u>	
Change in Proportionate Share	<u>-0.0005799%</u>	<u>0.00267916%</u>	

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, and June 30, 2015 are presented below:

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	June 30, 2016	June 30, 2015
Wage inflation	3.00 percent	3.25 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3.00 percent	3.00 percent
Investment rate of return	7.50 percent net of investments expense, including inflation	7.75 percent net of investments expense, including inflation
Actuarial cost method	Entry Age Normal	Entry Age Normal

For 2016, the mortality assumptions are that mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. For 2015, the mortality assumptions were based on the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables were used for the period after disability retirement. The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. A discount rate of 7.75 percent was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

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	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 10,704,652	\$ 8,085,464	\$ 5,893,097

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, 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' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	<u>1.00%</u>	<u>3.00%</u>
Total	<u>100.00%</u>	<u>7.61%</u>

* - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected rate of return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of

current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. 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, 2016.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School 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 School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 44,961,321	\$ 33,833,010	\$ 24,445,624

Changes between Measurement Date and Report Date

In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's NPL is expected to be significant.

NOTE 9 – POSTEMPLOYMENT BENEFITS

School Employee Retirement System

Health Care Plan Description - The School 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. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrator and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. 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. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2017, no allocation of covered payroll was made to

health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District's surcharge obligation was \$55,092.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$0, \$0, and \$27,414, respectively. The full amount was contributed for fiscal year 2015.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, STRS Ohio did not allocate any employer contributions to post-employment health care.

NOTE 10 – EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn between ten and twenty days of vacation leave per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Teachers and administrators are limited to a total accumulation of 339 days; classified employees are limited to a total accumulation of 260 days. Upon retirement, payment is made to certificated employees at 25 percent up to a maximum of 84.75 days, and at 25 percent up to a maximum of 65 days for classified employees.

Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to classified and administrative employees in the amount of \$50,000.

Health insurance is provided by Anthem Blue Cross/Blue Shield. Monthly premiums for this coverage are \$1,602.32 for family plans and \$630.84 for single plans. The School District pays 95 percent for both family and single coverage premiums. Dental insurance is also provided by Anthem Blue Cross/Blue Shield. Monthly premiums for this coverage are \$57.43 for family plans and \$21.52 for single plans. The School District pays 100 percent of the dental premiums.

NOTE 11 – TERMINATION BENEFITS

The Jackson City School District offers an early retirement incentive program, whereby any full-time certified employee who has completed or attained 30 years of service credit and is eligible for retirement under the State Teachers Retirement System are eligible to receive 33 percent of accumulated, unused sick leave up to a maximum of 112.9 days.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. For fiscal year 2017, the School District contracted with Liberty Mutual Insurance through Reed and Baur Insurance Agency for the following coverage:

Coverage	Limits of Coverage
Building and Contents - Replacement Cost (\$2,500 deductible)	\$ 107,221,125
General Liability:	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Products - Complete Operations Aggregate Limit	2,000,000
Personal and Advertising Injury Limit - Each Offense	1,000,000
Damage to Premises Rented	300,000
Earthquake (5 percent deductible)	5,000,000
Errors and Omissions (\$5,000 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	1,000,000
Employers' Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000
Aggregate Limit	2,000,000
Employee Benefits Liability (\$1,000 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	3,000,000
Automobile Insurance (\$1,000 Comprehensive/\$1,000 Collision):	
Each Occurrence	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2016.

Property and Liability

For fiscal year 2017, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the GRP.

NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association (META)

The School District participates in the Metropolitan Educational Technology Association (META), formed from the merger of the Metropolitan Educational Council (MEC) and the Southern Ohio Voluntary Education Cooperative (SEOVEC), which is a jointly governed organization, created as a regional council of governments pursuant to Chapter 167 of the Ohio Revised Code. META operates as, and has all the powers of, a data acquisition site/information technology center pursuant to applicable provisions of the Ohio Revised Code. The organization was formed for the purpose of identifying, developing, and providing to members and nonmembers innovative educational and technological services and products, as well as expanded opportunities for cooperative purchasing. The General Assembly of META consists of one delegate from every member school district. The delegate is the superintendent of the school district or the superintendent's designee. The degree of control exercised by any participating school district is limited to its representation on the General Assembly. The General Assembly exercises total control over the operation of META including budgeting, appropriating, contracting, and designating management. During 2017, the School District paid \$46,731 for services with META. Financial information can be obtained from Metropolitan Educational Technology Association at 100 Executive Drive, Marion, Ohio 43302.

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School District is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of five representatives from the various City and County Boards within Gallia, Jackson, and Vinton Counties. The Board possesses its own budgeting and taxing authority. To obtain financial information write to the Gallia-Jackson-Vinton Joint Vocational School District, Stephanie Rife who serves as Treasurer, 351 Buckeye Hills Road, Rio Grande, Ohio, 45674.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (CORAS) is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The board exercised total control over the operations of CORAS including budgeting, appropriating, contracting, and designating management. Each participant's control is limited to its representation on the board. The Coalition provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Coalition is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Coalition. During fiscal year 2017, the School District made a payment of \$325 for a membership fee. Financial information may be obtained from the Coalition of Rural and Appalachian Schools at Lindley Hall Room 200, Ohio University, Athens, Ohio 45701.

NOTE 14 – INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the plan. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the plan.

NOTE 15 – INTERFUND ACTIVITY AND BALANCES

Transfers

Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 250,000
Other Governmental Funds:		
Bond Retirement	52,040	-
Permanent Improvement	275,000	52,040
Special Trusts	-	275,000
Classroom Maintenance	250,000	-
Total Other Governmental Funds	<u>577,040</u>	<u>327,040</u>
Total All Funds	<u>\$ 577,040</u>	<u>\$ 577,040</u>

Transfers were made for debt payments and construction projects.

Advances

Interfund cash advances at June 30, 2017, were as follows:

<u>Fund</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 408,542	\$ 398,545
Other Governmental Funds:		
Food Service	53,082	-
Title VI-B IDEA Grant	124,616	117,241
Title I Grant	189,048	254,607
Special Education - Preschool	6,610	6,220
Title II-A Grant	22,119	22,234
Miscellaneous Federal Grants	3,070	8,240
Total Other Governmental Funds	<u>398,545</u>	<u>408,542</u>
Total All Funds	<u>\$ 807,087</u>	<u>\$ 807,087</u>

The advances noted above represent temporary transfer of cash flow resources from the General Fund to other funds. These advances are scheduled to be repaid to the General Fund subsequent to year end when available resources are available in the other funds.

NOTE 16 – CONTINGENCIES

Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure 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 General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

Litigation

The School District is currently not party to any legal proceedings.

Foundation Reviews

The School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either funding being received or deducted from future received financial assistance from future foundation settlements; however, it is not anticipated such adjustments will be significant.

NOTE 17 - LONG-TERM DEBT OBLIGATIONS

The activity of the School District's long-term debt obligations during fiscal year 2017 was as follows:

	Principal Outstanding June 30, 2016	Additions	Reductions	Principal Outstanding June 30, 2017	Amounts Due in One Year
Governmental Activities:					
2005 Classroom Facilities					
Refunding Bonds:					
Capital Appreciation Bonds	\$ 415,000	\$ -	\$ 150,000	\$ 265,000	\$ 135,000
Accretion on Capital					
Appreciation Bonds	1,318,362	119,398	530,000	907,760	555,000
2013 Classroom Facilities					
Refunding Bonds:					
Serial (0.40% to 3.20%)	5,950,000	-	130,000	5,820,000	130,000
Capital Appreciation Bonds	249,992	-	-	249,992	-
Accretion on Capital					
Appreciation Bonds	276,541	145,713	-	422,254	-
2015 Classroom Facilities					
Refunding Bonds:					
Serial (2.67%)	2,465,000	-	10,000	2,455,000	10,000
2013 2.35% Energy Conservation					
Refunding Bonds	514,000	-	46,000	468,000	48,000
Total Governmental Activities					
Long-Term Obligations	<u>\$ 11,188,895</u>	<u>\$ 265,111</u>	<u>\$ 866,000</u>	<u>\$ 10,588,006</u>	<u>\$ 878,000</u>

2005 Classroom Facilities Refunding Bonds:

On September 8, 2005, the School District issued \$10,445,000 of Classroom Facilities Refunding Bonds to partially retire the 2001 Classroom Facilities General Obligation Bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2027. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$7,555,000, \$2,475,000, and \$415,000, respectively. At the date of the refunding, \$11,312,028 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited into an irrevocable trust to provide for all future debt service payments on the refunded 2001 Classroom Facilities General Obligation Bonds. As all the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District's financial statements. The irrevocable trust made the final payment on the refunded 2001 Classroom Facilities General Obligation Bonds on June 1, 2011, and the account was closed.

The capital appreciation bonds for the 2005 issue mature December 1, 2016, through December 1, 2018. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$2,110,000. Accretion for fiscal year 2017 was \$119,398.

Jackson City School District
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 Notes to the Basic Financial Statements
 For the Fiscal Year Ended June 30, 2017

During fiscal year 2013, the serial bonds were partially refunded. During fiscal year 2016, the remaining term bonds were refunded. Principal and interest requirements to retire the remaining 2005 Classroom Facilities Refunding Bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ended June 30,	Capital Appreciation	
	Principal	Accretion
2018	\$ 135,000	\$ 555,000
2019	130,000	610,000
Total	<u>\$ 265,000</u>	<u>\$ 1,165,000</u>

2013 Classroom Facilities Refunding Bonds:

On May 16, 2013, the School District issued \$6,504,992 of Classroom Facilities Refunding Bonds to partially advance refund the 2005 Classroom Facilities General Obligation Serial Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2025. The bond issue included serial and capital appreciation bonds in the amounts of \$6,255,000 and \$249,992, respectively. At the date of the refunding, \$7,386,833 (including underwriter fees and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2005 bonds.

The capital appreciation bonds for the 2013 issue mature December 1, 2023, through December 1, 2026. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a principal liability. The maturity amount of the bonds is \$1,340,000. Accretion for fiscal year 2017 was \$145,713.

Principal and interest requirements to retire the 2013 Classroom Facilities Refunding Bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ended June 30,	Serial		Capital Appreciation		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2018	\$ 130,000	\$ 156,592	\$ -	\$ -	\$ 130,000	\$ 156,592
2019	130,000	154,837	-	-	130,000	154,837
2020	178,257	153,863	-	-	178,257	153,863
2021	511,735	149,132	-	-	511,735	149,132
2022	935,000	133,416	-	-	935,000	133,416
2023-2026	<u>3,935,008</u>	<u>263,295</u>	<u>249,992</u>	<u>1,090,008</u>	<u>4,185,000</u>	<u>1,353,303</u>
Total	<u>\$ 5,820,000</u>	<u>\$ 1,011,135</u>	<u>\$ 249,992</u>	<u>\$ 1,090,008</u>	<u>\$ 6,069,992</u>	<u>\$ 2,101,143</u>

2015 Classroom Facilities Refunding Bonds:

On September 9, 2015, the School District issued \$2,475,000 of Classroom Facilities Refunding Bonds to partially refund the 2005 Classroom Facilities General Obligation Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2027. The bond issue included serial bonds in the amount of \$2,475,000.

Principal and interest requirements to retire the 2015 Classroom Facilities Refunding Bonds outstanding at June 30, 2017, are as follows:

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Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ 10,000	\$ 89,915	\$ 99,915
2019	10,000	89,548	99,548
2020	10,000	89,181	99,181
2021	10,000	88,814	98,814
2022	10,000	88,447	98,447
2023-2027	1,185,000	415,903	1,600,903
2028	1,220,000	22,387	1,242,387
Total	<u>\$ 2,455,000</u>	<u>\$ 884,195</u>	<u>\$ 3,339,195</u>

2015 Classroom Facilities Refunding Bonds:

The School District issued House Bill Energy Conservation Tax Anticipation Notes in the amount of \$703,220 for the purpose of improving and reducing energy consumption in each of the School District's instructional facilities. The notes were issued on July 27, 2011, and are backed by the full faith and credit of the School District. The School District is required to make semiannual payments of interest and annual payment of principal with final maturity on December 1, 2025. These notes were refunded on July 15, 2013, with refunding bonds for a savings of \$80,175.

Principal and interest requirements to retire the Energy Conservation Tax Anticipation Bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2018	\$ 48,000	\$ 10,434	\$ 58,434
2019	48,000	9,306	57,306
2020	49,000	8,166	57,166
2021	50,000	7,003	57,003
2022	51,000	3,208	54,208
2023-2026	222,000	13,234	235,234
Total	<u>\$ 468,000</u>	<u>\$ 51,351</u>	<u>\$ 519,351</u>

The overall debt margin of the School District at June 30, 2017 was \$18,853,789, with an unvoted debt margin of \$287,163.

NOTE 18 – SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future fiscal years.

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

	Capital Improvements
Set-aside reserve balance as of June 30, 2016	\$ -
Current year set-aside requirement	437,351
Current year qualifying expenditures	(14,957)
Current year offsets	(595,407)
Total	\$ (173,013)
Balance carried forward to fiscal year 2018	\$ -
Set-aside balance June 30, 2017	\$ -

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero. The excess in the capital maintenance set-aside may not be carried forward to reduce the set-aside requirement in future years.

NOTE 19 – CENTER FOR STUDENT ACHIEVEMENT

A. Summary of Significant Accounting Policies

Reporting Entity

The Center for Student Achievement (the Center) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Center is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax exempt status. The Center's mission is to serve K through 12 students who may be underperforming or are not optimally integrated in their present educational setting, or who seek a more challenging experience than is available in their present educational setting, and who for these or other reasons are interested in pursuing an alternative schooling option. The students will include, but will not be limited to, home schooled children, children with special physical and mental needs, students removed from the regular classroom for discipline concerns, students who need an alternative to the traditional classroom for various reasons, including religious reasons, transient students, and students with the Jackson City School District, the sponsor school district, that desire a specific course not currently offered but is available through long distance learning.

The Center was created on April 28, 2005, by entering a three-year contract with the Jackson City School District (the Sponsor). A contract was entered into on June 24, 2008, which extended service through June 30, 2013. On May 7th, 2013, a new contract was entered into, which extended service through June 30, 2018, however, as disclosed in more detail later in this note disclosure, the Center ceased operations as of June 30, 2017 based on an agreement between Ohio Department of Education, the Sponsor, and the Center. The Sponsor is responsible for evaluating the performance of the Center and has the authority to deny renewal of the contract at its expiration. The Sponsor is also the fiscal agent of the Center with the Treasurer of the Sponsor fulfilling the role of Treasurer for the Center.

The Center operates under the direction of a five-member Board of Directors made up of elected or appointed public officials or public sector employees who have a professional interest in furthering the establishment and operation of the Center and one or more parents and community civic leaders. The Sponsor appoints a majority of the Board and is able to impose its will on the Center. As a result, the Center is reported as a discretely presented component unit of the Jackson City School District.

The Sponsor can suspend the Center's operations for any of the following reasons: 1.) The Center's failure to meet student performance requirements stated in its contract with the Sponsor, 2.) The Center's failure to meet generally accepted standards of fiscal management, 3.) The Center's violation of any provisions of the contract with the Sponsor or applicable State or Federal law, or 4.) Other good cause. The Board of Directors are responsible for carrying out the provisions of the contract which include, but are not limited to, helping create, approve, and monitor the annual budget, develop policies to guide operations, secure funding, and maintain a commitment to vision, mission, and belief statements of the Center and the children it serves.

Summary of Significant Accounting Policies

The financial statements of the Center are presented on a cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Center's accounting policies.

Basis of Presentation

The Center's basic financial statements consist of a statement of net position – cash basis; a statement of receipts, disbursements and changes in net position – cash basis; and a statement of cash flows – cash basis.

The Center uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income(loss), changes in net cash position, net cash position, and cash flows.

Measurement Focus and Basis of Accounting

Except for modifications having substantial support, receipts are recorded in the Center's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded in cash when cash is paid rather than when a liability is incurred. Any such modifications made by the Center are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and expenses for good and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided by the Center's contract with the Sponsor. The contract between the Center and its Sponsor prescribes the Center follow all budgetary provisions set forth in Ohio Revised Code Section 5705.

Cash and Cash Equivalents

Cash received by the Center is reflected as "equity in pooled cash and cash equivalents" on the statement of net position. The Center had no investments during the fiscal year ended June 30, 2017.

Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets in the Center's financial statements.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the Center or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Center has no amounts restricted.

Operating Receipts and Disbursements

Operating receipts are those receipts that are generated directly from the primary activity of the Center. Operating disbursements are necessary costs incurred to provide the service that is the primary activity of the Center. All receipts and disbursements not meeting this definition are reported as non-operating.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the Center to prepare its annual financial report in accordance with generally accepted accounting principles. However, the Center prepared its financial statement 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 certain assets, deferred outflow of resources, liabilities, deferred inflow of resources, net position, and disclosures that, while material, cannot be determined at this time.

C. Deposits

Monies held by the Center are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the Center treasury. Active monies must be maintained either as cash in the Center treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim Monies – These monies 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 held by the Center may be deposited or invested in the following securities:

9. United States Treasury bills, bonds, notes 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;
10. Bonds, notes, debentures, or any other obligation or security 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;
11. Written repurchase agreements in the securities listed above;
12. Bonds and other obligations of the State of Ohio or Ohio local governments;
13. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
14. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);

15. The State Treasurer's investment pool (STAR Ohio); and

16. Bankers' acceptances and commercial paper if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Center will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, none of the Center's bank balance of \$148,431 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Center to a successful claim by the FDIC.

The Center has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Center or a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

D. Risk Management

The Center is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the Center contracted with Liberty Mutual Insurance for insurance coverage, as follows:

Coverage	Deductible	Limits of Coverage
Business Property	\$ 1,000	\$ 67,744
General Liability:		
Each Occurrence	0	1,000,000
Aggregate Limit	0	2,000,000
Products - Completed Operations Aggregate Limit	0	2,000,000
Errors and Omissions:		
Each Occurrence	2,500	1,000,000
Aggregate Limit	2,500	1,000,000
Employers' Liability:		
Each Occurrence	0	1,000,000
Disease - Each Employee	0	1,000,000
Disease - Policy Limit	0	1,000,000
Aggregate Limit	0	2,000,000
Employee Benefits Liability:		
Each Occurrence	1,000	1,000,000
Aggregate Limit	1,000	3,000,000
Vehicles - Bodily Injury:		
Any One Accident	0	1,000,000

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage amounts from those of the prior fiscal year.

E. Purchased Services

For the period July 1, 2016, through June 30, 2017, the Center had expenses of \$286,712 for professional and technical services.

F. Related Party Transaction

The five members of the Center's Board of Directors are appointed by the Superintendent of Jackson City School District, the Sponsor. The Center is reported as a component unit of the Sponsor. In fiscal year 2017, the Center paid the Sponsor \$254,816 for reimbursement for professional and technical services provided to the Center by the Sponsor.

G. Contingencies

Grants

The Center received financial assistance from federal and state 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 Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center at June 30, 2017.

Litigation

There were currently no matters in litigation with the Center as defendant.

Full-Time Equivalency Review

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the end of the fiscal-year.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the end of the fiscal-year that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Center for fiscal-year 2017. As a result of this review, ODE concluded the Center received \$38,996 in Foundation funding in fiscal-year 2017 which it was not entitled to receive. The Center did not appeal this decision and made payment in this amount to ODE on September 22, 2017. In addition, during fiscal year 2017, the Foundation funding received by the Center was adjusted by \$23 and \$(2,607) for reviews of fiscal years 2015 and 2016, respectively, completed during fiscal year 2017.

H. Closure of Center for Student Achievement

On February 13, 2017, the Jackson City School District and the Center for Student Achievement approved a joint resolution of intent to close the Center permanently and transfer the assets of the Center to the Jackson City School District Board of Education, for Board use, in its discretion, to offer such educational opportunities as determined by the Board to students of Jackson City School District. The Center, School District, and ODE entered into a Settlement Agreement (closure agreement) which among other items, specified the following:

1. Agree the District may retain and continue community school sponsorship authority until June 30, 2017, after which time the District will relinquish such authority and the Center will close.

2. The Center shall cease operations as a community school on or before June 30, 2017, unless otherwise agreed in writing by the parties.
3. The Center's educational program (dropout prevention and recovery) and assets of any kind shall be transferred to the District for use by the District in operating the educational program, with such modifications, if any, as determined by the District, or for such other educational uses as determined by the District, subject to the following conditions.
 - a) The District assumes all Center's liabilities to any person or entity other than the District, except that the total liability assumed by the District shall not exceed the total value of the Center's assets at the time of transfer to the District.
 - b) Maximum Center liability to ODE pursuant to ORC Section. 3314.08 for fiscal year 2017 will be capped to the total value of the Center's assets at the time of transfer to the District and if capped, reduced by the same percentage as the percentage of the Center's full-time equivalents that is attributable to the Center's students that reside in the District.
 - c) District shall comply with all limitations imposed by ORC Section 3314.074(B) and the conditions of all grants to the Center regarding the disposition of property acquired with grant funds.
4. The District shall have all authority, and shall complete all of its obligations as sponsor of the Center, under ODE's Community School Suspension and Closing Procedures, updated July, 2015 ("Closing Procedures"), including the obligations that the governing authority of the Center is unwilling or unable to execute, even if such obligations extend beyond July 1, 2017, (a) except with respect to assets already distributed to the District pursuant to this agreement and (b) provided that if there are remaining unencumbered funds payable to ODE pursuant to paragraph 45 of such Closing Procedures, the payment of remaining funds payable to ODE for redistribution shall be reduced by the same percentage as the percentage of the Center's FTE that is attributable to the Center's students who reside in the District. Similarly, ODE acknowledges that the assets of the Center include the accounts receivables and, after June 30, 2017, ODE shall pay to the District any payments otherwise owed to the Center, but for the Center's closure.

Below is a summary of the Center's financial activity subsequent to fiscal year end through November 30, 2017.

Receipts:	
Intergovernmental	\$ 1,622
Interest Earnings	22
Total Receipts	<u>1,644</u>
Disbursements:	
Contractual Services	22,575
Miscellaneous	1,687
Refund of Prior Receipts	38,996
Total Disbursements	<u>63,258</u>
Receipts (Under) Disbursements	(61,614)
Cash Balance, July 1, 2017	146,925
Cash Balance, November 30, 2017	<u><u>\$ 85,311</u></u>

As of November 30, 2017, the bank and book balance of the Center totaled \$85,311. The Center completed the necessary close-out procedures required by ODE and the closure agreement and on November 30, 2017 the Center issued a check totaling \$85,311 to Jackson City School District to reduce the Center's bank and book balance to \$0.

Jackson City School District
 Jackson County, Ohio
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2017

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Disbursements
U.S. Department of Agriculture:			
<i>Passed through Ohio Department of Education:</i>			
<u>Nutrition Cluster:</u>			
<i>Non-Cash Assistance (Food Distribution):</i>			
National School Lunch Program	10.555		\$ 77,483
<i>Cash Assistance:</i>			
National School Breakfast Program	10.553		166,041
National School Lunch Program	10.555		546,903
Total Nutrition Cluster			<u>790,427</u>
Total US Department of Agriculture			<u>790,427</u>
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	S010A160035 S010A150035	754,167 <u>139,773</u>
Total Title I			893,940
<u>Special Education Cluster:</u>			
Special Education Grants to States	84.027	H027A150111	508,175 <u>108,396</u>
Total Special Education Grants to States			<u>616,571</u>
Special Education Preschool Grants	84.173		24,820 <u>5,662</u>
Total Special Education Preschool Grants			<u>30,482</u>
Total Special Education Cluster			647,053
Supporting Effective Instruction State Grants	84.367	S367A160034	117,128 <u>21,154</u>
Total Supporting Effective Instruction State Grants			138,282
Rural Education	84.358		53,538 <u>757</u>
Total Rural Education			<u>54,295</u>
Total U.S. Department of Education			<u>1,733,570</u>
Total Federal Assistance			<u>\$ 2,523,997</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Jackson City School District under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Center for Student Achievement:

The Center for Student Achievement (CSA), a component unit of the District, was awarded various federal grants passed through the Ohio Department of Education. The CSA is responsible for the compliance requirements related to the various grants; however, as the Sponsor of the CSA, the District is the fiscal agent for the grants. The CSA's grant disbursements, totaling \$29,438, are included in the District's Schedule as follows: \$16,732 in Title I Grants to Local Education Agencies, \$7,022 in Special Education Grants to States, and \$5,684 in Supporting Effective Instruction State Grants.

4. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2017, the District had no significant food commodities in inventory.

5. Matching Requirements:

Certain federal programs require the District to contribute non-federal funds (matching funds) to support federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal (matching) funds is not included on the Schedule.

**INDEPENDENCE AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Education
Jackson City School District
450 Vaughn Street
Jackson, Ohio 45640

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Jackson City School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2017, wherein we noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item Finding 2017-003, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

District Response to Findings

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Jackson City School District
450 Vaughn Street
Jackson, Ohio 45640

Report on Compliance for Each Major Federal Program

We have audited the Jackson City School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 29, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
 Noncompliance material to financial statements noted?	 Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted

Type of auditors’ report issued on compliance for major programs:	Unmodified
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Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
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Identification of major programs:

- Special Education Cluster:*
- CFDA 84.027 – Special Education Grants to States
- CFDA 84.173 – Special Education Preschool Grants
- CFDA 84.010 – Title I Grants to Local Educational Agencies

Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	No
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Section II – Financial Statement Findings

2017-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP.

Management Response: Jackson City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants. Board Resolution number 118-03 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

2017-002: Transfer of Funds

Condition: The District received funds during fiscal year 2017 which given towards improvements at the District's athletic field. These funds were deposited within the special trust fund in the District's general ledger and transferred to the capital improvement fund to finance a portion of the improvements made.

Criteria: Ohio Revised Code Section 5705.14 prohibits transfers from being made from one fund of a subdivision to any other fund, by order of a court or otherwise, with the exceptions noted in Ohio Revised Code Section 5705.14.

Effect: The District was not in compliance with Ohio Revised Code due to transferring funds from one special revenue fund to a capital improvement fund.

Cause: The District recorded the receipt of funds in one special fund and recorded the expenditure of those funds in another fund.

Recommendation: While the District did expend the funds on items meeting the constraints on the funds received, it should record the disbursement of those funds directly from the fund in which the receipts were recorded or post the receipts to the fund from which the expenditures will ultimately be recorded.

Management Response: Jackson City Schools will review future transfers to ensure compliance with the Ohio Revised Code and other restrictions.

2017-003: Reclassifications/Adjustments

Condition: The District's annual financial statements required audit adjustments and reclassifications including the following:

- Reclassification of net position and fund balance reported for various restrictions to other restricted purposes.
- Modifications to the budgetary statement presented for the general fund to include only the budgetary and actual information contained within the legally adopted budget for the general fund.
- Reclassification of monies from "pooled cash and cash equivalents" to "cash and cash equivalents with fiscal agent" for endowments held by an outside organization.
- Correction to the financial statements and notes to those financial statements to clarify the reporting basis used by the District.

Criteria: Management is responsible for the accuracy of the financial information contained within its annual financial report prepared to meet the filing requirement contained in Ohio Revised Code Section 117.38.

Effect: The District should not rely on the financial audit process to identify errors and corrections necessary to ensure the completeness and accuracy of the information contained within the annual financial statements. The initial financial statements presented for audit included several funds/accounts that were reported as "restricted for student enrichment" or "restricted for student development" which in fact represented funds where the resources were constrained to capital improvements, local grants, and specific District activities. In addition, a portion of the reported restricted net position/fund balance at year end, contained funds/accounts which were originally contributed to the District for specific scholarships for graduating seniors. As such these resources are not available to finance District activities or programs and should be classified as fiduciary funds for reporting purposes.

Cause: Due to the significant number of "special trust" funds/accounts maintained by the District, the decisions related to how these funds/accounts were reported in prior years is subject to future assessment regarding the accuracy on how these funds/accounts are reported within the financial statements. The District did not properly review the nature and intent of each of the funds at the time they were created.

Recommendation: We recommend the District review their procedures for preparing and completing annual financial reports. Attention should be given to the specific classification of the "special trust funds/accounts" contained within the District's general ledger to properly report the appropriate restriction within the financial statements. Furthermore, while not a material amount, the District should consider reclassifying the "scholarship" funds/accounts currently reported within the other governmental funds as a special revenue fund to fiduciary fund(s) as those resources are not available to finance District programs and/or activities.

Management Response: Jackson City Schools will enhance the review procedures of its financial statements in the future and address how funds and accounts are reported.

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2016-001: Report Annual Financial Statements

The District elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

Status: Uncorrected – See audit finding 2017-001.

Finding 2016-002: Cash Management – Title I

2 CFR Part 200.305(b) provides that non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs. The School District did not expend the Title I and Special Education funds by the required 5 days.

Status: Corrected.

**Jackson City School District
Jackson County**

**Corrective Action Plan
2 CFR Part 200.511(c)
June 30, 2017**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	Jackson City School District has chosen the most cost-effective financial reporting system available. The additional cost associated with preparing GAAP financial statements would be a direct burden upon instructional resources.	Assessed Annually	Rachel Strawser, Treasurer
2017-002	Prior to presenting any transfer of funds from one fund to another to the Board of Education for approval, the Treasurer will ensure the nature of the transfer meets the requirements of the Ohio Revised Code.	Immediately and going forward	Rachel Strawser, Treasurer
2017-003	In conjunction with the preparation of the fiscal year 2018 financial statements, the fund classifications and any adjustments to the cash-basis amounts will be reviewed to ensure accuracy.	August 2018	Rachel Strawser, Treasurer





Dave Yost • Auditor of State

JACKSON CITY SCHOOL DISTRICT

JACKSON 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 27, 2018